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World Business Newspaper

TUESDAY FEBRUARY 6 1996


# 3,000 jobs to be cut at Grundig

## Restructure is last-ditch move to achieve a return to profits after $416m net loss

By Wolfgang Münchau in Fürth and Ronald van de Krol in Amsterdam

Grundig, the German consumer electronics group, is to shed 3,000 jobs, more than a quarter of its workforce, in a last-ditch attempt to achieve a return to profit in an increasingly difficult market.

Most of the job cuts will occur in Grundig's German operations, especially around the Nuremberg region in Bavaria, where the company has its headquarters. The decision was taken at a meeting of the company's supervisory board and was accompanied by demonstrations outside the factory gates.

The restructuring measures at Grundig, controlled by Philips of the Netherlands, came with the announcement of a DM600m ($416m) net loss for 1995, which includes an operating loss of DM330m. Mr Pieter van der Wal, a Philips manager who took over as chairman of Grundig last week (February 1), said the 1995 loss stemmed from an overoptimistic assessment of sales, a drastic shortfall in final-quarter sales and an uncompetitive cost base.

Philips said its 1995 results would include an extraordinary charge of Fl 300m ($182m) to cover Grundig's restructuring provision of DM270m. Philips' 1995 results are scheduled to be released on February 15.

The Grundig supervisory board also announced a change to the contractual relationship between Philips and Grundig. From 1997 onwards, Philips will no longer assume responsibility for Grundig's losses, a move that will put Grundig on a more independent footing and may even pave the way for Philips to sell its 32 per cent stake in Grundig.

However, Mr Christian Schwarz-Schilling, a former German telecommunications minister who is now the supervisory board chairman of Grundig, said Philips had no intention of pulling out of its German subsidiary. He added the decision to put the company on an independent footing had been a precondition for his agreement to continue in his role.

Mr van der Wal said he planned no significant changes to Grundig's product portfolio, which he described as excellent.

The company suffered a sharp downturn in the German consumer electronics market, which fell by 10 per cent last year. The final quarter, and especially the Christmas season, had been particularly weak.

Mr Schwarz-Schilling said Grundig had adopted a conservative approach for the current year, with a sales forecast broadly in line with the 1995 turnover of DM3.5bn.

The restructuring measures follow a long series of job cuts at the company which in the 1970s employed 40,000, and whose workforce is now destined to fall to 8,400.

Mr Gerd Lobodda, deputy supervisory board chairman and a representative of the company's workforce, said the planned cuts would be harder than previous restructuring measures.

"In the mid-1980s, when Grundig cut its staff by over 2,000, we were able to solve this problem without compulsory redundancies," he said. "This is going to be an enormous labour market problem for the Nuremberg region."

However, Mr Lobodda said there was is a chance to minimise or even exclude compulsory redundancies through special subsidised forms of short-time work.


Lex, Page 16


# Bosnia could join World Bank before paying debt share

Bosnia-Herzegovina could become a member of the World Bank within months, before paying its share of former Yugoslavia's debt, which has blocked its membership and access to fresh loans. Officials hope the remaining obstacles to Bosnia's membership can be cleared by the time international donors meet again early in April. Bosnia is responsible for $650m of former Yugoslavia's debt to the World Bank, of which $458m is overdue. Page 16

**Deal on Austrian deficit:** The main obstacle to formation of a new Austrian coalition government was removed when the ruling Social Democrats and the conservative People's Party agreed on an austerity package. The package will cut the budget deficit by Sch100bn ($9.5bn) over the next two years. Page 16

**Investors looking to Asia:** Asia, excluding Japan, is set to overtake western Europe in the next five years as the most popular destination for foreign direct investment, according to a survey of managers and business experts. Page 5

**'Rail renaissance' urged by Kinnock**

A "railway renaissance" to curb congestion and save lives and the environment across Europe was urged by European Union transport commissioner Neil Kinnock (left). He called for firmer pricing policies which would make different types of transport reflect the true cost of accidents, pollution and congestion. Page 8

**Dublin fights fraud fine:** The Irish Republic has launched a diplomatic offensive to persuade the European Commission not to impose a £100m ($154m) fine for a string of irregularities in the Irish meat market. Page 3

**Claim on smoking danger:** A former executive of a US arm of Britain's BAT Industries claimed his employers had long known cigarettes were addictive and damaging to smokers' health, but concealed the evidence from the public. Page 7

**EU energy liberalisation in doubt:** Plans to liberalise the European Union's energy markets could be abandoned if member states cannot agree over the next few months how to inject competition into the sector, energy commissioner Christos Papoutsis said. Page 3; Emu still on the cards, Page 14

**Tokyo housing loans crisis known in 1991:** The Japanese government's attempts to win parliamentary approval for a Y685bn ($6.7bn) bailout of the country's bankrupt housing loan companies were set back by the disclosure that the Finance Ministry had been aware of the problem in 1991, but had failed to act. Page 6

**Roofing industry faces change:** A radical restructuring of European roof tile and brick industries could follow the decision by Redland, a leading UK building material company, to conduct a strategic review of its businesses. Page 23

**SBC Warburg,** the merged investment banking business of Swiss Bank Corporation and S.G. Warburg, has cut its analysis of US companies from about 10 sectors to five. Page 10

**3M meets expectations:** Minnesota Mining & Manufacturing, the US industrial group which plans to spin off its data storage and imaging activities, reported fourth-quarter earnings in line with expectations brought down by last month's profits warning. Page 20

**Virgin,** UK leisure and travel group, is in talks with European Belgian Airlines, the low-cost airline, about taking a majority stake. Page 17

**Boost for HK planned:** Hong Kong's financial watchdog, the Securities and Futures Commission, wants to tackle growing overseas concern on the colony's switch to Chinese sovereignty with measures to improve trading conditions. Page 17

**Oil platform to be recycled:** Shell UK announced that the 6,000-tonne Leman BK platform in the southern North Sea would be removed to a location on land for recycling and disposal.

**Brazil bus crash kills 32:** Thirty-two people were killed and 19 injured when a truck loaded with logs hit a bus in north-eastern Brazil.

**Lean sales:** McDonald's, the fast food company, is dropping its low-fat hamburger – the McLean Deluxe – in the US. The company said customers wanted "heartier, more satisfying menu items".

**■ STOCK MARKET INDICES**

| New York lunchtime | | |
|---|---|---|
| Dow Jones Ind Av | 5,361.34 | (-12.65) |
| NASDAQ Composite | 1,074.98 | (+2.87) |
| **Europe and Far East** | | |
| CAC40 | 1,985.59 | (-36.62) |
| DAX | 2,418.01 | (-33.05) |
| FT-SE 100 | 3,746.6 | (-34.7) |
| Nikkei | 20,853.38 | (-250.65) |

**■ US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5¼% |
| 3-mth Treas Bills: Yld | 5.0% |
| Long Bond | 109⅜ |
| Yield | 6.174% |

**■ OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6 7/32% | (6¼%) |
| UK: 10 yr Gilt | 98¼ | (98 11/32) |
| France: 10 yr OAT | 104.81 | (105.9) |
| Germany: 10 yr Bund | 99.09 | (100.13) |
| Japan: 10 yr JGB | 111.283 | (111.173) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Mar) | $16.62 | (16.75) |

**■ GOLD**

| | | |
|---|---|---|
| New York: Comex | | |
| (Apr) | $415.9 | (417.7) |
| London: | | |
| close | $414.5 | (415.4) |

**■ DOLLAR**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| £ | 1.5387 | |
| DM | 1.46355 | |
| FFr | 5.03665 | |
| SFr | 1.194 | |
| Y | 104.95 | |
| **London:** | | |
| £ | 1.5327 | (1.5189) |
| DM | 1.4693 | (1.4872) |
| FFr | 5.0655 | (5.1088) |
| SFr | 1.2005 | (1.2189) |
| Y | 105.12 | (106.68) |

**■ STERLING**

| | | |
|---|---|---|
| DM | 2.252 | (2.2589) |
| Tokyo close: | Y 106.2 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albania | LEK 220 | Germany | DM4.00 | Lithuania | Lts 15.00 | Qatar | QR13.00 |
| Austria | Sch37 | Greece | Dr400 | Lux | LFr75 | S.Arabia | SR12 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Malta | Lm0.65 | Singapore | S$4.30 |
| Belgium | BFr75 | Hungary | Ft230 | Morocco | MDh16 | Slovak Rp | Sk65 |
| Bulgaria | Lw130.00 | Iceland | IKr230 | Neth | Fl 4.75 | S. Africa | R12.00 |
| Cyprus | C£1.20 | India | Rs75 | Nigeria | Naira90 | Spain | Pta250 |
| Czech Rp | Kc60 | Israel | Shk7.90 | Norway | NKr20.00 | Sweden | SKr20 |
| Denmark | DKr18 | Italy | L3200 | Oman | OR1.50 | Switz | SFr3.70 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Syria | S£85.00 |
| Estonia | Ekr 22 | Jordan | JD1.50 | Poland | Zl 5.50 | Tunisia | Din1.750 |
| Finland | FM16.50 | Kuwait | Fils.650 | Portugal (m'land) | | Turkey | L70,000 |
| France | FFr11.50 | Lebanon | LL3,000 | | Es240 | UAE | Dh12.00 |

# US hits at Japan over its protected air rights

By Michael Skapinker in Singapore

The US yesterday rebuked Japan for hosting a meeting of Asian countries "to rally protectionist sentiment by demonising US carriers and policies" on aviation.

Mr Mark Gerchick, US deputy assistant transportation secretary, said the US was concerned about Japan's reported insistence in Kyoto last week that it would accept aviation liberalisation only where it was "gradual, orderly, progressive and safe-guarded".

Mr Gerchick, who was speaking in Singapore, called the Kyoto meeting a transparent attempt to criticise US moves to liberalise aviation. He added: "We are told now that the Kyoto meeting was simply a gathering to enhance regional co-operation, not a closed effort to promote a protectionist aviation consensus.

"But some may still be left to wonder. To use an old American saying: if it walks like a duck and talks like a duck, it's probably a duck."

He said that Japan's attitude was not typical of all Asian countries. The US last year concluded liberalising aviation agreements with Hong Kong, India, China, the Philippines, Thailand and Macao.

Mr Gerchick told the FT conference on Commercial Aviation in Asia-Pacific that Japan had excluded several members of the Asia Pacific Economic Co-operation forum from the meeting, including the US, Canada and Hong Kong.

His attack came on the same day that the US and Japan resumed negotiations in Tokyo over air cargo rights. Tokyo is complaining that US airlines have a disproportionately large share of routes through Japan to fast-growing and profitable Asian destinations.

The US attack on Japan was criticised by Mr Richard Stirland, director-general of the Orient Airlines Association, which represents Asian carriers.

Mr Stirland told the conference: "It is quite legitimate for Japan Airlines to talk of 'an American problem'." He said the problem was that United Airlines of the US was insisting on increasing the number of flights it could make from Japan to third countries. Other US airlines, however, such as American Airlines and Delta Air Lines, were concentrating on what Mr Stirland saw as the more realistic effort – to increase traffic between the US and Japan.

Mr Stirland said: "You cannot impose on highly important but deeply conservative countries, such as China, Japan and India, philosophies which are totally alien to their way of thinking."


Japan spurns jet venture, Page 5


**Barbed attack:** Pakistani protesters come up against police-erected barricades outside the Indian embassy in Islamabad, during a nationwide strike called by prime minister Benazir Bhutto. The strike was in support of a separatist revolt in the Indian-ruled part of the disputed Himalayan region of Kashmir and against the Indian government's alleged atrocities there. Protesters burned effigies of Indian prime minister P.V. Narasimha Rao in Islamabad and some other towns. Picture: AP

# British Gas to split into two companies

By Robert Peston and William Lewis in London

British Gas will today announce that it is being split into two companies and that Mr Cedric Brown, its chief executive, is to retire.

In the biggest restructuring of any British privatised company, British Gas is to put its exploration, international and pipeline business into one quoted company, while its trading business will be in a separately quoted rump.

The demerger in part represents an attempt to protect its more profitable businesses from the potential £1.5bn ($2.3bn) losses on £40bn of contracts to purchase gas. These contracts will be held by the trading company responsible for selling gas to UK customers.

The company also hopes to put behind it the controversy which has dogged it over the pay of Mr Brown, 60, by announcing that he is shortly to retire. Mr Brown could go as soon as the company's annual meeting, which is likely to be held in May.

In 1994 Mr Brown received a 71 per cent increase in total remuneration, including benefits, which took his remuneration package to £492,602 compared with £287,765 the year before. At last year's annual meeting the company saw off an attempt by shareholders to review Mr Brown's salary increase.

It is unclear whether Mr Brown will receive compensation for stepping down. He has a two-year rolling contract so the sums involved could be considerable.

Mr Brown's retirement follows pressure from institutional shareholders who have said that Mr Richard Giordano, British Gas's non-executive chairman, would only be allowed to continue on a one-year rolling contract in January if a successor to Mr Brown was announced.

At last year's annual meeting, at which Mr Brown was compared to a pig by protesters, institutional shareholders backed the company. However, they warned that they expected both Mr Brown's and the company's performance to improve if he was to remain on the board.

From being one of the most successful privatisations, British Gas has suffered a series of setbacks over the past two years, which has damaged morale within the company.

Apart from the furore which followed Mr Brown's pay award it has also been hit by a surge in customer complaints relating to its domestic gas business.

A radical restructuring of the company has alienated middle managers and the company has suffered the loss of many of its most able staff.

However, potentially British Gas's greatest problem has been the crippling losses it faces on contracts it had taken out to purchase gas before the phased introduction of competition into its main domestic markets. This will culminate in 1998 with the introduction of full competition in the business of supplying households.

The model for the demerger is thought to be ICI's split of three years ago into two companies, its traditional chemicals business and the faster-growing drugs company, Zeneca.

# European carmakers braced for poor sales in 1996

By Haig Simonian, Motor Industry Correspondent, in London

Europe's leading carmakers are bracing themselves for a poor year because of severe overcapacity and expectations of stagnant demand in many markets.

Mr Helmut Werner, chairman of Mercedes-Benz, said yesterday that the industry was "heading into a very difficult year" because of poor demand in Europe for new cars.

He forecast new car sales in Europe would rise by only 1 per cent this year, in an interview with Financial Times Television at the World Economic Forum in Davos, Switzerland.

The disappointing outlook for the industry follows a dismal 1995, when new car sales rose by just 0.6 per cent to 12m units, compared with a peak of 13.5m units in the early 1990s.

Manufacturers' pessimism follows poor figures recorded last December, when sales fell by 7.7 per cent compared with a year earlier – one of the highest monthly drops of 1995.

Last year's depressed sales performance came in spite of a wide-ranging government incentive scheme to stimulate new car sales in France – where registrations fell by 2.1 per cent to 1.93m units – and unprecedented financial incentives to boost demand.

The European Automobile Manufacturers' Association (Acea) blamed last year's poor sales figures on high unemployment in parts of Europe, as well as low economic growth and high debt levels in certain countries.

Some manufacturers have been predicting an improvement this year as economic conditions improve. Mr Giorgio Garuzzo, the chief operating officer of Fiat, said he expected sales to rise by between 3 per cent and 4 per cent


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# Bavaria's premier rejects FDP's tax plan

By Judy Dempsey in Berlin

Mr Edmund Stoiber, the state premier of Bavaria, which is dominated by the Christian Social Union, the sister party of Chancellor Helmut Kohl's Christian Democrats (CDU), yesterday criticised the government's plans to reduce a surcharge used to finance the rebuilding of east Germany.

Mr Stoiber, who is known for his independent views on many issues, including economic and monetary union, said the liberal Free Democrats (FDP) had no idea what budgetary pressure the states were facing.

The FDP has been at the forefront of the campaign to reduce the solidarity tax, a surcharge on taxed income reintroduced in January 1995 to finance the costs of restructuring the east German economy. The tax will be reduced from the current 7.5 per cent to 5.5 per cent of taxed income, starting in July 1996, and will be the equivalent of DM20 ($13.80) for the average taxpayer. The shortfall of DM4bn will be met by the states relinquishing a share of receipts from value added taxes, a decision which has enraged the states.

Mr Stoiber said Bavaria would have to give up DM450m of value added tax revenues to finance the solidarity tax cut and would be forced to introduce savings as a result. His remarks could galvanise even more opposition, particularly from the CDU-run governments in eastern Germany which have roundly condemned any reduction of the tax because they claim it would leave them financially worse off.

Among the opposition Social Democrats (SPD), Mr Johannes Rau, state premier of North Rhine-Westphalia, Germany's most populous state, accused the government of using the tax reduction to shore up the FDP in its attempt to get re-elected during next month's three state elections. Mr Rau also rounded on the government for its programme for jobs announced last week, and which will be debated in the Bundestag on Thursday.

But the FDP appears undaunted by the criticism. Mr Guido Westerwelle, general secretary of the FDP, said there would be "no ifs or buts" over any attempt by the government to bow to pressure from its own coalition or from the SPD to postpone reducing the solidarity tax.

He also said the liberals intend to put sweeping tax cuts at the centre of their political agenda despite mounting resistance to the party's recent success in trimming the unpopular solidarity tax.

Mr Westerwelle said the FDP would press ahead in its campaign for lower taxation, with the aim of bringing down tax and social welfare contributions to a third of the average income. Currently more than 19 per cent of the average German's income – excluding tax deductions – is siphoned off for the state health, unemployment and pensions funds. He added that contributions for high earners should not exceed 50 per cent of income.

Meanwhile, industrial production for December was stronger than expected with a monthly increase of 0.6 per cent. Manufacturing rose 2.1 per cent compared with the previous month. But construction fell 9.9 per cent, a decline exacerbated by the very cold weather, while energy output climbed 3.1 per cent for similar reasons.

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# Russian privatisation to be probed

By Guy de Jonquières in Davos and Chrystia Freeland in Moscow

Russia's senior prosecutor yesterday announced a high-profile investigation into the privatisation of some of the country's most valuable enterprises and predicted the campaign could lead to criminal charges.

The attack on privatisation from within the administration came as Mr Anatoly Chubais, the leading reformer sacked as Russia's deputy prime minister last month, predicted bloodshed if Mr Gennady Zyuganov, leader of the resurgent Communist party, won the presidential election in June and started re-nationalising businesses.

The attack on privatisation appears to have begun well before the election as President Boris Yeltsin seeks to distance himself from a programme many ordinary Russians see as deeply corrupt and unjust.

Privatisation suffered its most serious blow yesterday when Mr Yuri Skuratov, the chief prosecutor, said his office had begun an "intensive" investigation of how some of Russia's leading enterprises were sold off.

One of his targets is Norilsk Nikel, the world's largest nickel producer, where there is a fierce dispute between the Soviet-era management and a Moscow bank which took a controlling stake last autumn.

Mr Chubais, whose dismissal was one of the initial signs of the government's shift away from reforms, said Mr Zyuganov had pledged to confiscate private property: this would lead to violence because it would be resisted by owners of small businesses such as shops and restaurants.

If Mr Zyuganov became president, he would re-nationalise privatised industries, Mr Chubais told an international conference at Davos in Switzerland.

"This kind of policy will lead to big bloodshed in Russia. Business leaders in the west who try to support Zyuganov will be responsible for the blood if he is elected president."

Recent opinion polls have consistently rated Mr Zyuganov as front-runner in the June presidential contest, but over the past month Mr Yeltsin has mounted a strong campaign to revive his popularity.

Mr Yeltsin has not yet formally declared his candidacy, but has made some dramatic changes in his government over the past few weeks.

The sharpest shifts have been replacement of reformist officials with hardliners and a populist spending spree which marks a radical departure from the fiscal and monetary austerity in force last year. The past few days have also seen a number of indications that Mr Yeltsin could be on the verge of a U-turn in his policy in the break-away Chechen republic, where Russian forces have been waging an inconclusive war with separatist guerrillas for the past 14 months.

Mr Yeltsin, whose decision to send the army to Chechnya was in part a bid to please nationalist sentiment within Russia, appears to be bowing to frustration with what seems to be an unwinnable war.

Over the weekend, the president told Mr Gennady Seleznyov, the new Communist speaker of the parliament, he would launch a new peace initiative in Chechnya sometime this week.

Army officials have suggested Moscow might order a complete withdrawal of Russian forces, leaving rival Chechen factions to fight it out.

# Spain's opposition promises jobs pact

By David White in Madrid

A new centre-right government in Spain would do "everything possible" to reach a German-style pact with trade unions and employers to encourage the creation of permanent jobs, the Popular party leader, Mr José María Aznar, said yesterday.

Presenting his party's programme for the general election in four weeks, he said he was asking nothing of the social partners "except a willingness to talk".

His proposal was echoed by the Mr Cándido Méndez, leader of the Socialist-oriented General Workers Union (UGT), who said that whoever won the elections would need to count on unions and employers to tackle the jobs problem.

Like the ruling Socialists, the PP programme gives its first priority to employment in the face of an official jobless rate of almost 23 per cent.

Anxious to present a moderate image, Mr Aznar, 42, emphasised his party's commitment to maintaining pensions, public health services and unemployment benefits. He argued that the country's budget deficit stemmed from debt costs rather than the welfare system. Under the party's programme, revenues from privatisation would go to reducing government debt.

Spanish opposition leader José María Aznar addressing a news conference in Madrid yesterday AP

Replying to Socialist claims that the party's tax-cutting plans would jeopardise Spain's chances of joining the European single currency, Mr Aznar said it was hard to conceive of a bigger failure than present policies, which meant that Spain could not currently meet any of the monetary union criteria. He said gradual tax cuts would be offset by a reduction in the "scandalous" number of tax evaders.

"I know there are many Spaniards who think I am not a very likeable or pleasant person, but they do share my view that a change is needed to carry out a democratic 'cleansing of our government,'" said Mr Aznar, who is banking on the unease many Spaniards feel about the string of scandals that forced the Socialist prime minister, Mr Felipe González, to call elections a year early.

Mr Aznar took a tough line on terrorism, promising that a PP government would use "all legal means" to try to defeat Eta, the Basque separatist group, and would change the penal code to ensure that terrorists and drug-traffickers served their full jail sentences without remission.

Placing the emphasis of the PP campaign on honest and more efficient government, he said the PP would need "a clear majority" to be able to create the framework needed to raise employment levels.

"What we are talking about is not who will win the election, but by how much," he said, expressing confidence that the party would obtain sufficient seats to govern on its own. Opinion polls have suggested that the PP has a lead of up to 10 points over the Socialists but may fall short of an outright majority in the 350-seat congress.

# Third party seeks Turkish coalition

By John Barham in Ankara

Turkey's six-week-long political drama entered a new phase yesterday when Mr Mesut Yilmaz, leader of the conservative opposition Motherland party, became the third politician to try forming a coalition government after inconclusive elections in December gave no party a clear mandate to rule.

Mr Yilmaz has announced meetings this week with the heads of the four other parties in parliament, beginning today with the centre-left People's Republican party, the smallest group, and ending on Friday with Mr Necmettin Erbakan, leader of the Islamist Refah party, the largest in parliament.

Mr Erbakan, who leads 158 MPs in the 550-member parliament, was the first leader to try forming a government. Mrs Tansu Çiller, the caretaker prime minister, took over after he gave up in January, only to admit defeat last Saturday.

Although Mr Yilmaz and Mrs Çiller have few ideological differences, they failed to overcome deep personal animosities to form a centre-right coalition. The Motherland party has 133 seats, and Mrs Çiller's True Path party has 135 seats.

Commentators believe Mr Yilmaz could find it easier to strike a deal with Refah – which has moderated its radical rhetoric since December in the hope of enticing secular parties into a coalition – rather than with Mrs Çiller.

Mr Yilmaz and Mrs Çiller quarrelled over who would be prime minister in a True Path-Motherland alliance and over who would control economic policy.

Motherland MPs are scathing about Mrs Çiller's economic performance – inflation hit a record 150 per cent in 1994, a year in which Turkey suffered its worst-ever recession.

Although, the party's strategists have claimed these disagreements need not arise with the Islamists, Mr Yilmaz said yesterday that he would demand to be prime minister in any coalition with Refah. Motherland claimed precedence over True Path because it won slightly more votes, even though it took fewer seats.

Furthermore, Refah is more interested in domestic policy than foreign affairs or the economy. In contrast, Motherland has a strong economics team headed by Mr Rüştü Saraçoğlu, a respected former central bank governor with good international contacts.

Mr Yilmaz also hopes to use a period in office to discredit Mrs Çiller by investigating corruption allegations against her, while building a reputation for efficient economic management. But he may risk a revolt if he breaks campaign pledges against entering government with the Islamists.

Hürriyet, an opposition newspaper, said yesterday Mrs Çiller faced mounting unrest in her party for rejecting an alliance with Mr Yilmaz. Mr Cavit Çağlar, a True Path MP, said: "My mission is to do what my public wants. People want a True Path-Motherland coalition. The two leaders have to make a sacrifice to achieve this."

Some analysts say Mrs Çiller and Mr Yilmaz may yet form an alliance. The military, a powerful force in Turkish politics, does not hide its distaste for Refah. President Süleyman Demirel is also expected to push for an alliance that excludes Refah.

# Most French groups 'plan workforce cut'

By David Buchan in Paris

A majority of French industrialists foresee lower demand for their products in the first quarter of this year and plan to reduce their workforces, according to the latest survey published by the Insee statistics agency yesterday.

Mr Jacques Barrot, labour minister, acknowledged yesterday growth would be "a bit weak" at the start of the year; this posed "a threat to employment". The state-owned Caisse des Dépôts bank yesterday predicted a 0.1 per cent GDP fall in the first quarter this year after an estimated 0.4 per cent national output drop in the last three months of 1995.

But Mr Barrot said he hoped for "better growth" and job creation in the second half of 1996, partly because of a new apprenticeship law to be debated in parliament this week.

In the last Insee survey in October industrialists were evenly divided between those expecting higher and lower demand. In the new survey, a majority were pessimistic but industrialists in capital equipment, cars and energy were gloomiest in predicting lower demand and employment.

Those in the food industry remained mostly optimistic and manufacturers of consumer goods were evenly split between optimists and pessimists.

The government is pinning many of its recovery hopes on foreign demand, with foreign companies providing the main ray of hope in investment. The past week has seen plans announced by Daewoo of South Korea to expand its investment in Lorraine with a FFr750m ($151m) factory and Motorola of the US to set up a new research centre into mobile phone in the Paris region.

The tendency of many big French groups to continue to retrench has provoked a three-way polemic with the government and the unions.

Last week, the government and the Patronat employers' federation exchanged words, with Mr Alain Juppé, prime minister, saying he was tired of trying to lower welfare charges for companies that refused to pledge new jobs, and Mr Jean Gandois, Patronat president, countering he was sick of hearing about "gifts for companies, many struggling for survival".

Yesterday, the CGT union federation started a "week of action" against government policy and welfare reform, due to culminate in national demonstrations on Sunday. A call for an increase in private and public sector salaries will put further pressure on management in spring pay talks.

# Ukraine's old guard kills off TV news show

By Matthew Kaminski in Kiev

The producers of Ukraine's most popular television news programme have threatened to take the state TV network to court over a decision to take the programme off the air.

They say they will seek to recover lost advertising revenue from unaired but commissioned episodes of the independently-produced *Pisle Move* (Epilogue) – a lively 45-minute news revue that President Leonid Kuchma last year called his favourite show.

The threat is unique in a country where the government – like the Communist party it replaced – is perceived to be beyond the law.

The circumstances behind the abrupt cancellation are murky. The New Year's eve programme did not appear as scheduled, and subsequent episodes were kept off the air.

The monopoly network – whose director sits in the cabinet – claims *Pisle Move* was not professional enough. Nova Mova, the company which makes the programme, backed by other independent journalists and western diplomats, is alleging censorship. The last show, aired a week before New Year's eve, ran a segment about turmoil within Mr Kuchma's administration. Some journalists, at newspapers and the studio, allege that Mr Dmytro Tabachnyk, presidential chief-of-staff, pressured the head of the network to axe the programme.

"What they did was real political censorship," said Mr Alexander Tkachenko, the presenter of *Pisle Move*, which is backed financially by four banks and trading houses and had been on the air for 13 months. "[State] television is not free from political pressure and it is run by unprofessional people". Mr Tkachenko, a former reporter for the Reuter news agency in Kiev, said this week his independent studio would stop producing the show at least until Ukraine gets its first private station.

**The cancelled programme challenged the old TV formula of ministers visiting a state factory or farm**

Mr Dmytro Markof, presidential spokesman, denied the government had interfered. "Censorship is against the law," he said. "Some of the things they do are experimental. They irritate people. It is seen as unethical. But I like the programme."

Modelled on western and recent Russian news shows, *Pisle Move* broke with the tradition of sycophantic media in Ukraine. The programme's fare included news interviews, independent analysis, good footage and lively music.

In the prime 9pm Sunday slot, *Pisle Move* attracted a large following in millions of Ukrainian homes and was able to command the highest advertising rates of any Ukrainian programme.

The state network news, hit by budget cuts, continues with the tired old formula of reporting official press conferences and endless ministerial visits to state factories or farms.

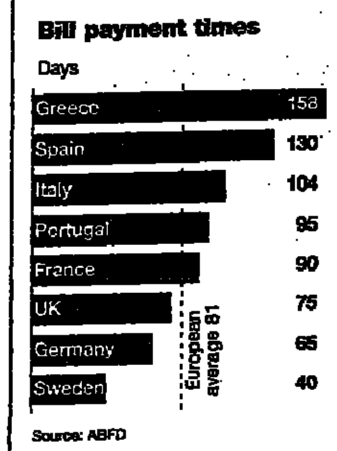
With no true national newspaper in the mould of Russia's Izvestia, and ingrained self-censorship at many papers and shows, *Pisle Move* was the loudest and most influential independent voice.

But Mr Zinoviy Kulyk, chairman of the state television and radio committee, said the programme did not meet his standards. "The journalists who work at *Pisle Move* have a wolfish appetite," he said. "That can be funny, but our journalist friends must learn their lesson." Mr Kulyk added that state television wanted to restructure its finances and had tried to get a new contract with *Pisle Move*, including greater control over advertising income and the right to see programmes a day before airing.

However, Mr Tkachenko says: "It's pure paranoia on their part – we're a new generation, we speak a new language. We're the future of the country. They're not."

EUROPEAN NEWS DIGEST

## Late payment penalties doubt




The British government's efforts to resist demands for legal penalties for the late payment of debts yesterday received a boost from a European survey. The study, by the Association of British Factors and Discounters, showed there was little correlation between tough penalty regimes and prompt payments. Of the five countries with the worst payments records, three – Italy, Spain and Cyprus – provided a statutory right to interest. The survey found that companies in northern Europe paid more quickly than those in the south. The ABFD said this suggested that payment practice was largely based on culture. It urged the UK to concentrate on changing business culture through ways other than legal penalties.

The British government is consulting public opinion about such penalties, but is unlikely to change the status quo.

Greek companies were the slowest payers, taking 158 days, against 40 in Sweden. UK companies came eighth of 15 countries, taking an average 75 days. *Stefan Wagstyl, London*

Editorial comment, Page 15

## Belgium frees Eta suspects

A Spanish couple who have been in and out of Belgian custody since 1993 on suspicion of being members of the Basque separatist organisation Eta were ordered to be freed yesterday. Mr Jose Luis Moreno Ramajo and his wife Racquel Garcia were released minutes after Belgium's Council of State upheld their appeal against deportation.

The decision will embarrass the government of Mr Jean-Luc Dehaene, which has made no secret of the fact that it wanted the couple deported. Spain said on Friday it was confident Belgium would eventually deport them. Belgian diplomatic relations with Spain deteriorated in December 1993 when Madrid held up plans for a European Union asylum law in retaliation for Belgium considering granting the pair refugee status. *Reuter, Brussels*

## Power line decision criticised

The European Commission yesterday criticised the French government for its "unilateral action" in interrupting work on building the very-high-voltage line (400,000 volts) in the Hautes Pyrénées department which would help link the electricity networks in France and Spain. A spokesman said the project "is of great political importance to the Commission". The French move compromised the EU's credibility regarding large projects, he said, and was a bad precedent for all priority schemes in the programme adopted at the Essen summit in December 1994.

Last Thursday, Mr Alain Juppé, France's prime minister, told the Senate he had "decided not to authorise the start of work" on the Cazaril-Aragon line because of concern for the environment.

The Brussels spokesman said the project was also of vital importance to the proper operation of the Spanish and Portuguese electricity networks. *AFP, Brussels*

## Dispute over Polish targets

The long-running rivalry between Ms Hanna Gronkiewicz-Waltz, president of Poland's central bank, and Mr Grzegorz Kolodko, the finance minister, resurfaced yesterday when the former described as "overly optimistic" the latter's goal of 5.4 per cent average growth up to the end of the century. She approved Mr Kolodko's tax cutting strategy to spur growth but questioned whether his aim to cut inflation to 5 per cent would be possible without deeper cuts in government spending.

In his Package 2000 programme, revealed last week, Mr Kolodko promised to cut income taxes and said that government expenditure would continue to grow, though not as fast as the economy. He predicted that exports would rise at a higher rate than imports, but Ms Gronkiewicz-Waltz said: "We see serious threats to the realisation of this goal."

The central bank expected GDP growth this year to drop to 5.5 per cent from 7 per cent in 1995 because of the expected slowdown in Germany, Poland's biggest export market. In the first 10 months of 1995, the trade deficit widened to $4.3bn against $3.1bn in the same period of 1994. A stronger zloty, coupled with lower import duties and the elimination of the 3 per cent border tax this year, would make imports cheaper and exports more expensive while the high growth of investment, forecast at 8.8 per cent annually by Mr Kolodko, would boost import demand, the bank chief added.

Meanwhile, miners at eight Silesian coal mines went on strike yesterday and the Solidarity union called on 220,000 miners at other pits to join them in demands for higher pay and defence of retirement rights. *Anthony Robinson, London*

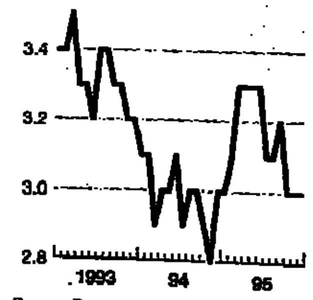
## France pushes defence changes

France wants next month's intergovernmental conference to write a Nato-style mutual security guarantee between European Union states into the European treaties and to create a regular council of defence ministers, Mr Charles Millon, its defence minister, said yesterday.

He welcomed Chancellor Helmut Kohl's call last weekend for "a solidarity clause for all EU members akin to the mutual guarantees in the Nato and Western European Union treaties". He also saw no reason for neutral EU members such as Sweden, Finland and Austria to refuse such a clause, now the west had no fixed enemy. But his officials conceded that extending such guarantees to forthcoming EU members in eastern Europe would have to go hand in hand with eastward enlargement of Nato. The role of an EU defence ministers' council would be to oversee European defence programme and peacekeeping efforts, as well as to reinforce the European component of Nato. *David Buchan, Paris*

ECONOMIC WATCH

## EU inflation steady at 3%




Inflation in the European Union remained steady at 3 per cent in December compared with a year earlier, according to Eurostat, the EU's statistical office. Annual EU inflation for the whole year was nearly stable at between 3 and 3.2 per cent, it said. Among the 15 member states, Finland did best in December with a scant 0.3 point rise. Greece was bottom of the list, with inflation advancing by 8.1 points. *Reuter, Brussels*

■ Denmark's gross domestic product rose by 2.7 per cent in real terms in the third quarter of last year, against the same period of 1994. It increased by 0.5 per cent on the previous quarter.

■ Belgian unemployment reached 14.7 per cent in January from 14.5 per cent in December and 14.2 per cent in January 1995.

■ Norway's industrial production rose by 2.4 per cent in 1995 from the year earlier but December's industrial production fell 0.1 per cent over the same period.

Commissioner warns that project may have to be dropped after seven years of deadlock

# EU energy liberalisation put in doubt

By Emma Tucker in Brussels

Plans to liberalise the European Union's energy markets could be abandoned if member states cannot agree over the next few months how to inject competition into the sector, said Mr Christos Papoutsis, the energy commissioner.

His warning is a reflection of frustration in Brussels over nearly seven years of deadlock on the energy issue, mainly due to French intransigence. The French government is firmly opposed to competition in the energy sector, particularly in the area of energy distribution to customers.

France maintained its hardline opposition at an informal ministerial meeting in Bologna at which new ideas for creating a single energy market were discussed but no conclusions reached.

Mr Papoutsis said he would refer the issue to EU leaders unless the deadlock was broken by May 7.

"If on that date there is no political agreement, then the European Council will have to take up the matter," said a Commission official. "The heads of state will have to decide whether there is any point continuing discussions on the completion of the single market in energy."

Germany, Britain and others have insisted that energy distributors would have to be included, otherwise ordinary consumers would not reap the benefits of lower prices resulting from liberalisation.

The German government is under particular pressure from its industrial lobby to press for proper liberalisation because of its fears that high energy prices are hampering competitiveness.

A compromise, put forward by Spain at the end of last year, provided for the gradual inclusion of distributors over eight years. While France rejected the compromise for going too far, the UK and Germany said it was unacceptable for being too weak.

Italy, which holds the EU presidency, is now trying to achieve what eluded Spain with yet another set of proposals. Mr Alberto Clo raised the possibility of setting a common EU-wide percentage by which states were required to open up their markets.

The question of who would be included could be settled at a later stage, although Mr Clo said the proposal would only be carried forward on the basis that it could achieve "real, pragmatic and significant" liberalisation.

Initial reaction to the idea was hesitant. Mr Günther Rexrodt, the German industry minister, warned that the council had to be careful not to "create something which could lead to the malfunctioning of the single market".

Mr Tim Eggar, the UK energy minister, said that if the percentage by which markets were to be opened was set too low, they might as well all go home.

For France, Mr Franck Borotra, the energy minister, said he did not think the idea should be developed too quickly.

Details of the proposal are to be thrashed out at a meeting in Brussels next week, with a final deadline for adoption of May 7 – the next energy council meeting to be held in Brussels.

# Dublin tries to avert big EU farm fine

By Caroline Southey in Brussels

Ireland has launched a diplomatic offensive in Brussels to persuade the European Commission not to impose one of its largest per capita fines for irregularities in the agriculture sector.

The Commission has threatened to fine Ireland about £100m for a string of irregularities in the Irish meat market in 1991. Mr Ivan Yates, Dublin's agriculture minister, has accused Brussels of trying to make an example of his country.

Mr Franz Fischler, the commissioner for agriculture, is expected to put a final figure on the size of the fine during the next two weeks. "It has not been settled yet. There are still negotiations going on," an Irish official said.

The decision will be a test case for the Commission, which is determined to stamp out fraud, particularly in the agricultural sector. Last year, Mrs Anita Gradin, the commissioner with responsibility for anti-fraud measures, and Mr Erkki Liikanen, budget commissioner, launched initiatives to bring about substantial reductions in EU fraud, estimated to total some Ecu1bn (£850m) in 1994.

Mr Fischler must weigh up the case for imposing the maximum fine possible – 10 per cent of the amount spent on intervention in the meat market during the year the irregularities took place – against recommendations that the size of the sanction is excessive.

The sanction is being imposed following the discovery of irregularities in beef trading during the height of the so-called Goodman affair in Ireland during 1991. A government tribunal uncovered large-scale fraud in the beef market, including the misuse of export credits by Irish companies.

The Commission has identified separate occurrences during the same period, including incorrect labelling which involved giving meat cuts higher quality status and inflating their weight, and irregular accounting practices.

Although the Irish government is not disputing the fact that irregularities took place, Mr Yates has urged Mr Fischler to consider a recommendation from an independent body that the fine is excessive.

The conciliation committee, made up of three independent experts and set up to arbitrate between the Commission and member states over disputed fines, has recommended that the fine be reduced substantially. The maximum fine is normally imposed only when irregularities cause serious disruption to the market. Mr Fischler is not bound by the committee's recommendations.

Several other countries also face fines for irregularities during the same year, including a sanction of 2 per cent of the amount sent in the beef sector in the UK and 5 per cent in Italy and France. The size of the fine compares with the Ecu1bn penalty imposed on Italy in 1993 for ignoring the EU's milk quota regime for 10 years.

# Denmark seeks curb on state aid to Germany's shipyards

European Commission is caught up in dispute over subsidies as Danish jobs are lost, write **Hilary Barnes** and **Judy Dempsey**

Last week 650 employees at one of Denmark's seven shipyards went to work for the last time. Hundreds more at two other yards face the same fate as the Danish government refuses to rescue them.

Scarcely a hawser's length from the Danish coast, five shipyards in eastern Germany are being modernised with the help of government subsidies.

That's the problem, says the Danish government, whose long-standing policy not to subsidise the country's yards is supported by the Association of Danish Shipbuilders. Everyone else is doing it and the resultant over-capacity is bad for all.

So the Danes are taking the European Commission to court saying it exceeded its authority in approving the German subsidies and, in another case, have asked the Commission to investigate.

Denmark's Svendborg Shipyard closed last week after it ran out of orders and failed to find temporary financial backing. Burmeister & Wain in Copenhagen, and Danyard in Frederikshavn, Jutland, are also threatened with closure. Shipbuilding employs about 10,000 in Denmark and a further 11,000 are in ancillary businesses.

"We can never compete on subsidies," says Mr Thorkil Christensen, managing director of the shipbuilders association. "A small country like Denmark just does not have the financial resources to match the subsidies which larger nations can provide."

A recent Danish industry ministry report argued that the most important problem facing the shipbuilding sector was that direct and indirect subsidies to yards in other countries had led to excess capacity in the global shipbuilding industry. The main offenders in Europe were Spain, Germany and France, it said.

The Danish shipbuilders association, in its action against the European Commission in the European Court, claims that the Germans received approval from the Commission to modernise the five yards up to a combined capacity of 327,000 compensated gross tonnes (CGT – a measure, comprising value and volume elements, for making comparisons between ships of different types). However, the actual capacity, according to consultants' reports prepared for the Commission, will be about 576,000 CGT.

> 'A small country like Denmark just does not have the financial resources to match the subsidies which larger nations can provide'

The other disagreement concerns the Bremer Vulkan shipyard on the north-German coast. Last month Bremer Vulkan, which employs more than 23,000 people, received bank credits of DM220m (£97m) – in addition to an earlier DM300m loan – backed by the city authorities, to complete a ship under construction.

The Danes have asked the Commission to examine the legality of the loans. The Commission has asked the German government for more information.

German officials argue that without any new loans, a large part of east Germany's shipbuilding industry could be threatened. Bremer Vulkan owns the Meeres Technik Werft (MTW), at Wismar, and a controlling stake in Volk Werft, Stralsund, both in the east German state of Mecklenburg-Vorpommern.

The dispute has revealed that the Treuhand privatisation agency, which was responsible for privatising the east German shipyards, failed to take early enough action when it discovered that Bremer Vulkan was not making the investments agreed in the purchase contract for the east German shipyards.

The Treuhand – indirectly the German taxpayer – agreed to a DM1.5bn package to modernise Bremer Vulkan's share of the east German yards – half, in the form of subsidies would be paid by the taxpayer, the remainder by Bremer Vulkan.

But nearly five years after it bought the yards, Bremer Vulkan has not invested one pfennig of the promised Dm700m to Dm750m from its own resources, according to officials of the Mecklenburg-Vorpommern government. The state now wants to give DM600m in grants to its shipbuilding industry from the 1996 budget. But it realises Denmark and the Commission could baulk at such subsidies.

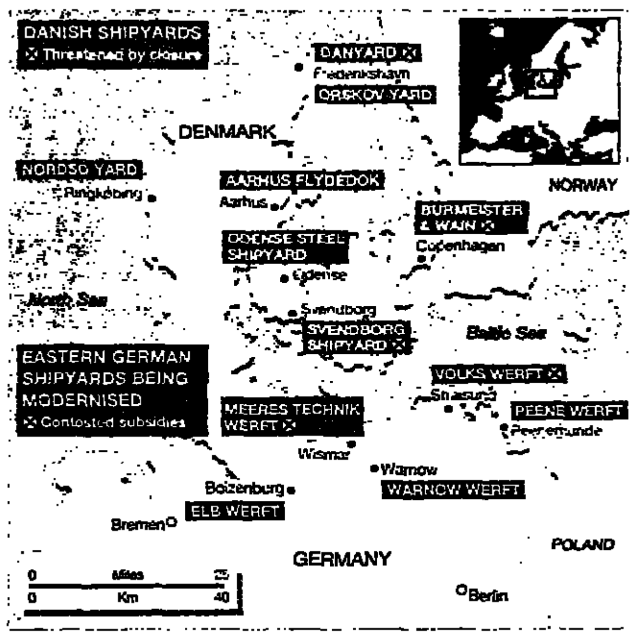
"What can we do?" one official said. "Bremer Vulkan has not come up with the investments. Over DM400m of those investments fall due this year."

Commerzbank, Bremer Vulkan's banker, is meanwhile continuing to support the shipyard, though it would not comment on what assistance it was receiving from the BVS.

"The East German yards got three times as much money as they needed," said Mr Frank Gad, vice president in charge of marketing at the largest Danish shipyard, Odense Steel Shipyard. "They have managed to spend it all, but they have not yet started building, so they will soon ask for more. And when they do start building ships their wage costs will be subsidised as well. It's horrible!"

The Danes have asked the commission to investigate whether funds allocated for modernisation of the eastern yards have been channelled back to Bremer Vulkan's yards in the west.

The government of Mecklenburg-Vorpommern would like some answers as well.



# Israel's right-wing parties in election pact

By Julian Ozanne in Jerusalem

Israel's two main right-wing political parties are to join forces, back a single candidate for prime minister and present a joint list of parliamentary candidates in general elections expected in May.

The surprise move will considerably strengthen the right-wing challenge to Mr Shimon Peres, the prime minister, and the Middle East peace policies of his Labour-led coalition government.

The draft agreement between the more mainstream Likud led by Mr and the ultra-nationalist Tsomet led by Mr Rafael has been negotiated secretly in the past few days. Both parties oppose the Israeli-Palestinian peace accords and the government's current peace talks with Syria.

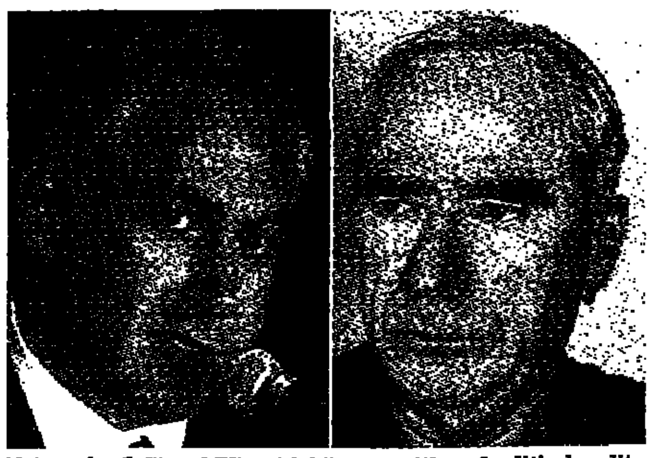
Mr Eitan said opinion polls conducted by the two parties showed the Israeli public wanted a broad right-wing opposition front and were fed up with Israel's long history of small parties and coalition politics.

Although the agreement was criticised by some Likud MPs it was welcomed by the old guard leadership. Mr Yitzhak Shamir, former Likud leader and prime minister, said: "This will add faith, it will add energy and it will add strength to the people that very much want the national camp to win this time."

Under the agreement, Mr Eitan, a former army chief who once publicly compared Arabs to cockroaches, will withdraw his candidacy for prime minister, letting most Israeli right-wing voters support Mr Netanyahu as the main challenger to Mr Peres in the direct election for the premiership.

In return, Mr Eitan will be given number two slot on a joint parliamentary list guaranteeing him a senior job, probably as defence minister, in a future government should the right-wing come to power. Tsomet, which recent polls showed had lost ground since it won eight seats in the 1992 elections, will also be given eight slots among the first 40 candidates on the joint parliamentary list. After the elections the two parties will decide whether to complete a formal merger.

The agreement has yet to be officially endorsed by the parties but it marks a shrewd recognition of political reality by the traditionally fractious right wing in the face of a resurgent Labour party.



Netanyahu (left) and Eitan (right): recognition of political reality

In the next elections Israelis will cast two ballots – one for prime minister and one for parliamentary candidates. Recent polls have shown Mr Peres leading Mr Netanyahu in the race for the premiership by between 16 and 23 points with Mr Eitan trailing a poor third.

Analysts said Mr Eitan's military credentials in a security-conscious country would help make up for Mr Netanyahu's image as a young, inexperienced, professional politician.

The polls have also shown an erosion of support for Likud and Tsomet largely because of a wave of sympathy for Labour after last year's assassination of Prime Minister Yitzhak Rabin by a right-wing fanatic.

The need for the right wing to unite has been reinforced by prospect of elections earlier than the scheduled date of October 29. Mr Peres said over the weekend he would announce next week whether he would bring the elections forward. Senior cabinet ministers and Labour party officials have urged Mr Peres to capitalise on his popularity and go for an early election in May. Officials suggest May 21 as the most likely date.

The most difficult task ahead for the right wing is to develop a realistic and convincing alternative to the peace process.

# Bahrain unrest points to Gulf-wide problems

## Tribal monarchies are caught between 'modernism' and Islamic activism, writes **Robin Allen**

The civil unrest that has plagued Bahrain for 15 months with spasmodic but sustained riots, sabotage, and arson attacks could jeopardise security in the entire Gulf region unless some basics are addressed, western diplomats warn.

Repression and "blaming the foreigner" may contain the problems in the short term, but will not address the political, social and economic fault-lines running through all Gulf states, they say.

Domestic weaknesses are being exploited by home-grown and foreign opposition elements, "but these elements are not the determining factor behind the disturbances", senior diplomats say.

The authorities in Bahrain have accused Iran of instigating the violence, which has led to the arrest of nearly 600 people, and last week expelled an Iranian diplomat. On Sunday it banned eight Kuwaiti members of parliament from entering the country because of Kuwait's support for Bahraini opposition demands that the government recall parliament, dissolved in 1975.

In interviews last week, both Sheikh Khalifa Bin-Sulman, the prime minister, and Sheikh Mohammed Bin Mubarak, the foreign minister, blamed Iran for fomenting the troubles. The prime minister also categorically ruled out any recall of the national assembly.


An island-state ruled by the Al-Khalifa family, Bahrain is a traditional Gulf tribal monarchy. In the view of many diplomats, it is a microcosm of much that is best and worst among the traditional Gulf ruling families that make up the loosely-knit alliance of the Gulf Co-operation Council. All, in different degrees, but notably Kuwait, Oman and Saudi Arabia, are under sustained pressure from two sides.

On the one hand Islamic activists want an end to the ruling families' close ties with the west, in particular the US; and to their perceived corruption, and "un-Islamic" life-styles. On the other side are the liberal-minded "modernists" who are demanding a more open society. The two sides only agree that the ruling families control too much of their countries' commercial interests; and both demand a greater say in how Gulf countries are run.

The states have long suffered from three basic weaknesses which risk aggravating national domestic problems and jeopardising regional stability.

The first is in-fighting by members of the ruling family, with each faction seeking help from a neighbouring state. This happened in the United Arab Emirates in 1979 and 1986 and is happening today in Qatar.

The second is acute unresolved border disputes which are "seriously undermining GCC member states' relations", diplomats say. Typical are those between Bahrain and Qatar; Qatar and Saudi Arabia; Saudi Arabia and Yemen; and the UAE, Qatar and Saudi Arabia combined.

The third weakness is the inability of individual ruling families to meet the social and economic needs of a sufficiently large part of their population.

Bahrain's unrest started in November 1994 when disgruntled villagers in a poor Shia community threw stones at scantily dressed runners in a charity marathon. Strong police reaction sparked more protests, which led to further arrests. Over the next five months the "opposition" had escalated into demands for economic and political reform, including an end to the predominant role of the ruling family in many aspects of the country's business life.

According to western diplomats, the protest movement subsided last April when the government seemed to have reached a tacit agreement with opposition leaders to open a dialogue in return for keeping protesters off the streets. By October, however, several factors had contributed to this "understanding" breaking down, with each side feeling betrayed by the other.

A petition calling for a dialogue aimed at economic reform and the return of the national assembly, and signed by 300 people including both Sunni and Shia members of the business and academic communities, was abruptly rejected by the government, which demanded a written apology from the signatories. Among these were 92 people employed in the public sector. The three who refused to apologise were fired. Moderate opinion was outraged.

For its part, the government was angry with the opposition for organising rallies of up to 50,000 people, for the involvement of the London-based "Bahrain Liberation Movement" and for the outspoken Iranian and clerical slogans used by the protesters.

Western diplomats are sceptical about Iran's involvement but they acknowledge, in common with even those many Bahrainis who disagree with the government's handling of the unrest, that many of the protesters draw their inspiration from Iran.

According to Dr Naji Al-Mahdi, director of the Bahrain Training Institute, which operates under the labour and social affairs ministry, giving vocational training courses for thousands of Bahraini nationals, the underlying problem is neither sectarian nor unemployment. It is the "pain of change", the abrupt ending, for which neither governments nor people were prepared, of a 25-year period of lavish spending and unreal expectations of boundless economic growth.

Labour and social affairs minister Mr Abdul-Nabi Al-Shula says too many private sector companies rely on cheap manual Asian labour "rather than investing in modern stock and equipment which would do the same job with one-tenth the number of people and which young Bahrainis are trained and willing to handle". The problem, they and other businessmen agree, "is not unemployment but the unemployability" of many Bahrainis, because of the antiquated structure of too many private sector companies.

INTERNATIONAL NEWS DIGEST

# Morocco, Spain ease relations

An early warning system aimed at avoiding conflicts such as last year's Moroccan-Spanish fishing dispute is expected to be agreed at a summit between the two governments that started in Rabat yesterday.

The arrangements would involve regular contacts over sensitive commercial issues, similar to those Spain already has with France. A financial agreement is also expected to be signed covering $1.2bn in Spanish credits.

The talks between the two teams of ministers, headed by Mr Felipe González, the Spanish premier, and his counterpart Mr Abdellatif Filali, are the first for more than two years. Efforts to raise the level of relations, including a 1991 friendship treaty foreseeing annual summit meetings, have been frustrated by a series of incidents and friction over Spain's North African enclaves of Ceuta and Melilla. Last year's fishing dispute kept Spanish fishermen idle for six months while a new European Union agreement was negotiated.

Mr González is also expected to hold discussions with King Hassan. But Spanish officials are cautious about the immediate prospects in view of recent economic problems and political uncertainties in Morocco. *David White, Madrid*

## Kenya budget to curb deficit

The Kenyan government, anxious to prove to the International Monetary Fund that its economy is still on course, has unveiled a mini-budget aimed at keeping its budget deficit tightly under control. Mr Musalia Mudavadi, finance minister, said he was determined to cut the 1995/96 deficit to 1.9 per cent of gross domestic product from 2.5 per cent in 1994/95.

However he noted that the government's balance of payments position weakened last year and there had been a resurgence in inflationary pressures. To reverse this, customs duty on petroleum products would be raised, operations at the Kenya revenue authority strengthened and penalties to enforce compliance increased.

Mr Mudavadi estimated this would increase tax revenue by a total of Ks7bn ($120m). The government would simultaneously cut or delay non-essential spending by Ks3.3bn.

The minister normally unveils his budget in June. This mini-budget, due to be presented to parliament in March, appears aimed at persuading IMF officials, who recently visited Kenya to assess its reform programme, that the country deserves a $300m enhanced structural adjustment facility. The funds have been blocked for over a year because of IMF concerns over corruption. *Michela Wrong, Nairobi*

## ABB wins Uzbekistan plant deal

A $250m contract to build a chemical complex in Uzbekistan has been awarded to Asea Brown Boveri, the Swiss-Swedish international engineering company.

ABB is to lead a group of Japanese companies in constructing the Shurtan gas chemical plant for Uzbekneftegas, a subsidiary of the Uzbekistan ministry of oil and gas. The total project is valued at $500m.

The Shurtan complex will include ethylene, polyethylene and copolymer plants and the contractors will provide assistance during initial manufacturing operations. The project is to be funded from international financing facilities available to Uzbekistan and the repayment of loans will come from the proceeds of domestic and export sales made by the plant. *Michael Cassell, Business Correspondent*

# Flow of foreign funds to China jumps 12 per cent

Foreign direct investment in China rose by nearly 12 per cent last year to $38bn and foreign investors have now poured $133.38bn into China since it opened its doors to the outside world in 1978, Tony Walker reports from Beijing.

China is easily the largest recipient of foreign direct investment among developing countries, accounting for about a third of such flows.

Contracted investment for 1995 was $90bn, up 11 per cent. But numbers of new projects were down by some 22 per cent, reflecting a trend towards larger investments. By the end of 1995 Beijing had approved more than 250,000 projects.

According to Mr Hu Zhaoqing of the Ministry of Foreign Trade and Economic Co-operation, China had successfully redirected investment towards priority areas such as infrastructure, energy and transportation.

China had also made progress in attracting multinational corporations to increase their stake, and this had contributed to the increase in average investment in each project to $2.45m from $1.77m in 1994.

Mr Hu expected foreign investment to continue its strong growth in 1996, and did not think that removing tax exemptions for capital equipment imports would affect this. China is to abolish from April 1 its preferential taxes on equipment imports for foreign-funded enterprises.

Beijing has allowed a three-month transitional period for implementation of the new arrangements. Foreign-invested enterprises established before the end of last year would be given a one- to two-year grace period.

China's hard line, Page 15

# Asia set to become top investment target

By Guy de Jonquières in Davos

Asia, excluding Japan, is set to overtake western Europe in the next five years as the most popular destination for foreign direct investment. At the same time, Asian economies are expected, along with the US, to become the world's main source of outward FDI flows.

These are among the conclusions of a survey of corporate investment intentions, which also finds that companies' main reason for investing abroad for the rest of this decade will be to improve access to foreign markets, not to cut production costs.

The survey is based on responses by 260 managers and business experts in the US, Europe and Asia. It was commissioned by the French government's inward investment agency and conducted by Arthur Andersen, the international management consultancy.

Almost 90 per cent of companies expected their investment flows abroad to grow strongly or very strongly, and to account for an increasing share of their total investments between now and 2000. The most popular vehicles for international expansion were expected to be joint ventures and acquisitions.

Companies said exports from their home country would remain their main way of competing in international markets, but they expected their investments abroad to grow faster. This was particularly true of companies based in Japan and other Asian countries with rising domestic costs and exchange rates.

Although companies planned to invest more at home than abroad in the next five years, the survey found that domestic investment was a lower priority than in the first half of the 1990s.

Asia excluding Japan, Latin America and eastern and central Europe were named as the priority destinations for foreign investment, while the US, western Europe and Japan were all rated less important than in the first half of the 1990s.

The survey found that more advanced Asian economies and the US were set to become the biggest sources of outward foreign investment in the next five years, displacing western Europe, which had been the largest provider of FDI since the mid-1980s.

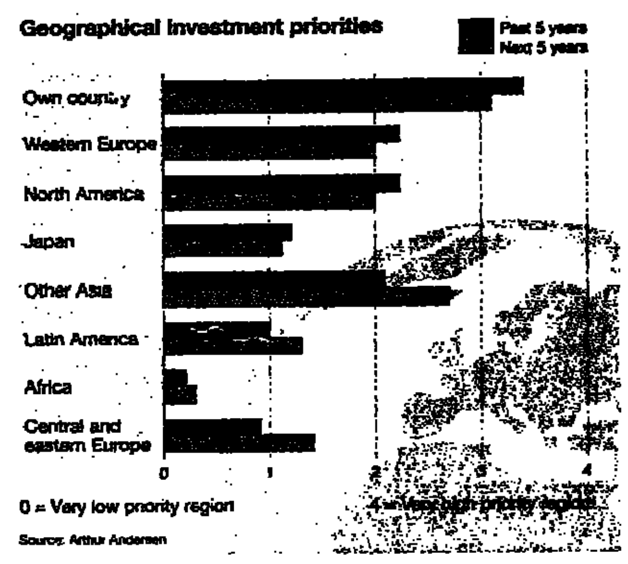
The main reasons for the shift were Asian companies' fear of US protectionism and their desire to exploit foreign markets and western technology. US companies were keen to exploit internationally their improved competitiveness in industries such as high technology, cars and telecommunications.

Manufacturing industries, led by telecommunications and information technology, were expected to be the leading overseas investors up to 2000, while investments abroad by property and financial services companies would be lower than in previous years.

However, the top priority for manufacturing companies was to set up foreign distribution networks rather than production centres. Many respondents also said they wanted to establish research and development facilities abroad.

**International Investment Towards the Year 2000. Available from Arthur Andersen Management, Tour Gan-Cedex 13, 92082 Paris La Défense 2. Tel: 331-49 01 32 32.*

**Where the world's investors are looking**




# Japan rules out stake in joint aircraft venture

By Michael Skapinker in Singapore

Japan yesterday said it would not participate in a proposed Chinese and South Korean project to build a 100-seater jet. A Boeing executive said China and Korea were also disputing which country should have responsibility for the jet's final assembly.

Mr Naomi Anesaki, president of the Society of Japanese Aerospace Companies, dismissed suggestions that Japan would take a stake in the Chinese and South Korean venture. Some industry executives had believed Japan might take a 10 per cent stake.

But Mr Anesaki told the FT Conference on Commercial Aviation in Asia-Pacific: "My response is 'no'. Japan will be cautious and prudent. We've learned from the past that the aircraft business is not easy."

Mr Lawrence Clarkson, senior vice-president at Boeing, told the conference that China and Korea had yet to decide where final assembly should take place. He said: "They're struggling with the issue. Both want the final assembly site at the moment but it's not economical to have two sites."

Mr Clarkson said he did not think China and Korea would announce their choice of western partner until they had resolved this question.

The Chinese and South Koreans have said they are looking for a western partner to provide the technology for the 100-seater.

Boeing of the US and Aero International Regional (Air), a new European joint venture, have submitted bids to be partners in the project. Air is owned by British Aerospace, Aerospatiale of France and Alenia of Italy.

Daimler-Benz Aerospace (Dasa) of Germany also submitted a bid, but this is highly unlikely to succeed following the financial crisis at Fokker, the Dutch regional aircraft manufacturer in which Dasa has a controlling stake.

Samsung, the company leading South Korea's participation in the 100-seater project, is in talks about buying some of the Fokker business.

Designs on Fokker, Page 22

# Fiat chooses Poland to make new world car

By Kevin Done, East Europe Correspondent, in Warsaw.

Fiat, the Italian carmaker, plans to produce its new world car, the 178, in Poland within the next two to three years as part of the renewal of its entire Polish product range, Mr Paolo Marinsek, outgoing chief executive of Fiat Auto Poland, said yesterday.

The $2bn world car programme is one of the most ambitious development projects by the Italian carmaker as its seeks to reduce its previous heavy dependence on car production in Italy.

By 2000 Fiat would be producing 54 per cent of its cars outside Italy, said Mr Marinsek.

The 178 range, which includes cars and light commercial vehicles, has been designed for production and sale mainly in developing countries.

Fiat has previously announced production plans for Brazil, Argentina, Turkey, India, China, South Africa and Morocco. However, Poland will be the first production site in Europe for the 178.

To be called the Palio, the 178 range will first be launched in Brazil in April, and Fiat is planning a worldwide capacity of 800,000, excluding China. Output could eventually exceed 1m if the group succeeds with plans for a plant in China.

Fiat expects to halt production of its bottom-of-the-range 126 in Poland by the end of this year, because the car no longer meets environmental regulations. An up-dated Cinquecento small car, for which Poland is the only source in Europe, is also planned for introduction in the late 1990s.

Mr Marinsek, who has led the restructuring of FSM, the Polish state-owned carmaker taken over by Fiat in the early 1990s, was appointed last week to head Comau, the Fiat group's automation subsidiary, as part of the reorganisation of the group's top management.

Fiat controls around 51 per cent of the Polish new car market. Mr Marinsek said the current investment programme was aimed at maintaining the group's dominant presence, despite the heavy investments also planned by General Motors of the US and Daewoo of South Korea.

The Italian carmaker has taken the leading role to date in restructuring the Polish car industry, the biggest in central Europe, and in developing the local component supply base.

Mr Marinsek said the local content of its *Polish-produced* cars had increased to 73 per cent last year from 55 per cent in 1992. Around 37 per cent of its Polish components purchases were now coming from new suppliers, which had established operations in Poland since Fiat's takeover of FSM.

New supply ventures for Poland were also under discussion with TRW and Delphi Automotive of the US and GKN, the UK vehicle parts supplier.

Fiat's car production in Poland rose by 10.9 per cent last year to 278,200, its highest level, of which 156,900 or 56.4 per cent were exported, chiefly to west Europe.

Fiat had completely reorganised its Polish sales network, said Mr Marinsek, to create privately-owned dealers offering a full range of sales, service and parts operations.

The share of private dealerships in the 100-strong network had risen from 55 per cent in 1992 to 90 per cent last year.

# Mercedes-Benz aims to boost Japan truck sales

By Michiyo Nakamoto in Tokyo

Mercedes-Benz, one of the biggest foreign sellers of cars in Japan, plans a fresh assault on the country's truck market.

The German vehicle manufacturer will set up a joint venture with Komatsu, the Japanese construction equipment maker, to sell Mercedes-Benz commercial vehicles in Japan through Komatsu's sales network.

Mercedes-Benz hopes to market its commercial vehicles, including trucks and mini-vans, through about half of Komatsu's 518 sales outlets. The German company aims to sell 700 units in the first year. This represents just a fraction of the 1.6m Japanese commercial vehicle market, but would more than double the trucks and mini-vans Mercedes-Benz sold in Japan last year.

Foreign commercial vehicle makers have not been particularly successful in penetrating the Japanese market.

Mercedes-Benz is the world's largest maker of medium-sized trucks, but it has sold just 1,250 commercial vehicles in Japan since it began its previous partnership with Mitsubishi in 1989.

The German group believes the Japanese market is set to expand as a result of demand for trucks to replace vehicles bought during the late 1980s and early 1990s; deregulation of restrictions on vehicle weight; and stricter emission controls.

The Komatsu link underlines the failure of the strategic alliance with Mitsubishi. In 1994 the two groups dissolved their joint venture company set up to sell Mercedes-Benz trucks in Japan. Mitsubishi still sells Mercedes trucks, but it is unclear what will happen now. Unlike Mitsubishi Komatsu is predominantly a maker of construction equipment and does not have competing product.

A joint venture company is expected to be established by the end of the year.

# Fresh setback in housing loans bailout

By Gerard Baker in Tokyo

The Japanese government's attempts to win parliamentary approval for a plan to spend more than Y685bn (£4.2bn) on a bailout of the country's bankrupt housing loan companies received another setback yesterday with yet more embarrassing official disclosures about the circumstances surrounding their failure.

Documents released by the cabinet revealed that the Finance Ministry had been aware of the gravity of the problems at the housing lenders, or *jusen*, as long ago as 1991, but had failed to act to stop their collapse.

The information was made public among a pile of documents handed over to parliament by the government in response to demands from opposition leaders for more details about the period leading up to the companies' insolvency.

Officials released details of the outcome of finance ministry inspections of the seven companies which are to be liquidated with part-use of public funds. They showed that in 1991 and again in 1992, ministry officials concluded that the *jusen* were heading for a financial crisis under a crippling burden of non-performing loans.

The companies lent recklessly in the property market in the late 1980s and by 1992 already had bad loans totalling more than a third of their loan books. That figure subsequently rose to more than half their total lending by last summer. The documents also included lists of the 100 largest borrowers from each of the seven companies.

The disclosures will put further pressure on the Finance Ministry, widely regarded by the public as one of the main culprits in the *jusen* saga, and on the government as a whole.

The New Frontier party, the main opposition group, had threatened to boycott further discussion of the plan for liquidating the companies unless the government made the information available.

Popular hostility to the bailout has put the government on the defensive in its efforts to have legislation approved by the end of next month as part of the coming year's budget.

But members of the cabinet yesterday again refused to bow to growing demands that the scheme should be scrapped or at least suspended. Mr Wataru Kubo, finance minister, said there was "no other choice" but to press ahead with the plan.

Last week, senior figures in the Liberal Democratic party, the largest coalition member, floated the possibility that funds allocated to the bailout might be frozen, pending clarification of responsibility for the debacle.

But ministers yesterday ruled this out, saying it would merely complicate and postpone a full resolution.

# Market test for Japan wage round

## Employers' chief explains his controversial pay freeze call. William Dawkins writes

Mr Jiro Nemoto, a sparkling man at the rough end of Japan's annual *shunto* wage-bargaining round, believes his country may be facing an employment and productivity crisis.

Mr Nemoto, taking time off from his two jobs as president of the Nikkeiren employers' federation and chairman of NYK Line, Japan's largest shipping company, was explaining his controversial call for a wage freeze to curb record unemployment and restore international competitiveness.

The Nikkeiren's recommendation, subject of a more heated debate than usual among companies and unions over the past two weeks, has also, surprisingly, been questioned by some of its own corporate members. They argue wage rises are vital to stimulate flagging domestic demand as the economy struggles to emerge from four years' stagnation.

"Japan is wandering between social democracy and democracy, by which I mean deregulation and a free market. How far towards the free market should we swing?" That question, tackled in different ways by the UK, Germany and the US over the past decade, is at the heart of this year's wage round, he believes.

Mr Nemoto dismisses companies' fears over the link between wages and domestic demand as exaggerated. Companies should be free to set wages linked to their own productivity, as they increasingly are, so long as the average settlement is stagnant, he says.

The growing divergence of individual wage settlements from the average in recent years shows how consensus is inevitably giving way to market forces, he concedes.

Despite gradual erosion of the consensus on wages, Mr Nemoto argues fiercely that the Nikkeiren still has an important role as advocate of collective interests. "The target of a modern state should be to keep four things in balance: employment, economic growth, the trade balance and commodity prices. Of these, by far the most important is employment," he says.

That might sound, at first, like a well-worn defence of Japan's reputation for jobs for all. Yet, Mr Nemoto argues, that image belies the truth; a sound economic as well as social argument exists for putting employment first.

For a start, unemployment, a record 3.4 per cent, is understated by the narrow criteria which the Tokyo government uses to measure joblessness, Mr Nemoto says.

It would be as much as 6 per cent if measured by UK criteria, and even on the Japanese measure could more than double to 7 per cent in a few years if wages are not restrained, he estimates.

Japanese wages have risen in real terms in all but two years since collective bargaining started in 1974, despite Nikkeiren calls for a freeze in each of the past three years.

Japan can all the less afford rising wages now, because its labour costs have on the Nikkeiren's calculation become the highest in the world, Mr Nemoto adds. Worse, this has happened just as the domestic economy is being forced more open to international competition by a high yen and a measure of deregulation. Neither is a wage rise needed when domestic prices are stagnant or slightly falling, Mr Nemoto argues.

A freeze is necessary, but not sufficient, to curb joblessness, he adds. Economic growth of at least 3 per cent a year would be needed to bring unemployment back to the more acceptable 2 per cent of a decade ago.

Japan's ability to achieve that target partly depends on the current account surplus. It needs to fall from last year's 2.7 per cent of gross domestic product to about 1.5 per cent to push the yen down from the current range of Y106-Y120 to the dollar which the Nikkeiren estimates is needed to support job-creating economic growth.

The final ingredient is prices, which need to be allowed to fall to international levels, to increase workers' buying power at a time of wage restraint.

Prices in turn depend on governments' will to carry out economic deregulation. That may be a low priority of the present Liberal Democratic party-led government, which Mr Nemoto believes to be at heart social democratic.

But Japanese governments, even social democratic ones, will increasingly be obliged to rely on deregulation to stimulate growth, he predicts. As the government deficit, already well above the average for leading industrialised countries, keeps on rising, this limits governments' scope to dole out the Keynesian public spending packages of recent years. Excising inefficiencies from formerly protected sectors is almost the only strategy left.

Here, Japan has something to learn from the US, Mr Nemoto says. Japan, as was the US in the early 1980s, is adjusting to a hard currency, rising competition from low-labour-cost neighbours and a maturing industrial economy.

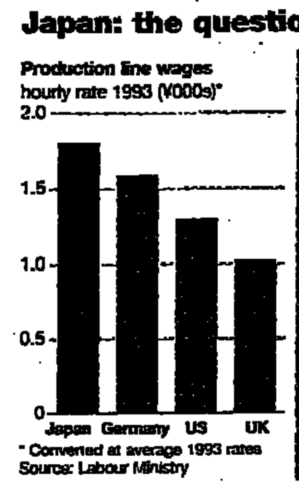
Rather than pursue US-style mass redundancies, real wage cuts and the rapid transfer of production overseas, Mr Nemoto believes the move to a free market should be moderated by collective interests.

"It was easy for US managers, because they had share options and golden parachutes. But were the people actually working for them better off?... Today, their society is not healthy. We do not want to follow such a way," he says. Neither does he advocate as much of a free market economy as the UK and Germany.

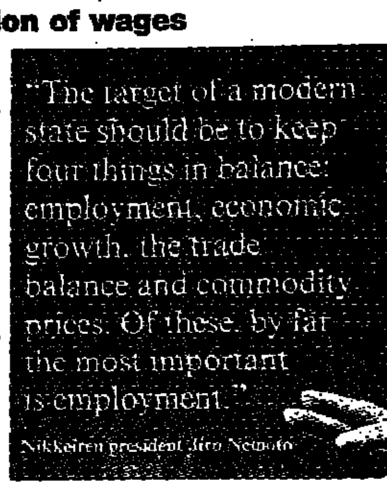
At the same time, the Japanese employers and unions cannot put off the inevitable. "There is no doubt the Keynesian approach does not apply here any more. We will have to move more towards Adam Smith and a more market-oriented approach."

*The outcome of the shunto*, to be decided by the end of March, will indicate just how far the orderly consensus of which Mr Nemoto is so fond has given way to the free market. That will give a clue to how far unemployment will be permitted to approach western levels, which many believe is the central question for the Japanese economy.

**Japan: the question of wages**




* Converted at average 1993 rates
Source: Labour Ministry




Nikkeiren president Jiro Nemoto

# Philippine inflation increases to 11.2%

By Edward Luce in Manila

Philippine inflation increased to 11.2 per cent in January amid growing social protest over higher petrol prices and an expanded value added tax.

The latest annual inflation figure, almost double the rate recorded this time last year and a rise on December's 10.9 per cent rate, comes after a weekend of protest over the government's decision on Friday to increase petrol prices.

The 7 per cent price increase, which follows months of government stalling in the face of a growing deficit in its oil buffer fund now at 10bn pesos (£251.5m), has been met with anger from church leaders, unions and opposition politicians.

The opposition, including the Liberal Democratic party, which broke from the ruling two-party coalition in the Senate last week, accuse the government of being "anti-poor", and have pledged to attack its much-acclaimed economic reform agenda.

The administration of President Fidel Ramos, which says the petrol price increase was skewed towards middle-class car owners, says the country can no longer afford to subsidise domestic oil prices after world crude prices rose to $17 a barrel last month. The government conceded yesterday that the price rise would add about 0.8 percentage points to next month's inflation rate.

Economists, who say liberalisation of oil prices is crucial to foreign investor confidence in the Philippine reform programme, said yesterday that temporarily higher inflation was a necessary price to pay for deregulation of the economy. Economists said that the controversial 10 per cent expanded VAT imposed last month was a vital component of the strategy to boost recurring budget revenues.

"Philippine inflation will continue to rise during the first quarter of the year but, barring any unforeseen mishaps such as natural disasters, we expect it to fall during the second half," said Mr Bernhard Eschweiler, an economist at J.P. Morgan in Singapore.

"We think that if the Philippine government can see through this wave of protests, its macroeconomic strategy is basically on track."

The Philippine government is bracing for a difficult few months as it pushes through controversial reforms such as a comprehensive income tax bill and further oil price rises.

Government officials say last year's gross national product growth rate of 5.7 per cent and forecasts of 6.5-7 per cent in 1996 fully vindicate its three-year-old economic reform programme.

## New Korea party holds national convention before April poll

# S Korean ruling party fears it is heading for a beating

By John Burton in Seoul

As South Korea's ruling New Korea party holds its national convention today ahead of critical parliamentary elections in April, the mood will be sombre.

Despite a booming economy and the recent purge of the unpopular military officers who once ran the country, the civilian government of President Kim Young-sam appears headed for defeat at the polls.

NKP officials, including the party chairman, have admitted the ruling party could lose its majority in the 299-seat National Assembly. This threatens to make Mr Kim a lame duck president until his mandated one term ends in early 1998.

In part, Mr Kim has fallen victim to the regionalism that plagues Korean politics, since he is considered chiefly as representing the interests of his native south-eastern Kyongsang area. The three opposition parties have strong bases in the rest of the country.

But Mr Kim is faulted for other reasons. Liberals have criticised him for his belated efforts to confront the former military clique headed by ex-presidents Chun Doo-hwan and Roh Tae-woo. The recent jailing of his two predecessors is viewed as a cynical political ploy by Mr Kim to win votes.

Conservatives have denounced the president's inconsistent policy on North Korea and feared the effects of proposed political and economic reforms. The NKP is now trying to calm fears by promising "reform with stability".

The list of parliamentary candidates to be endorsed by the party convention today consists of a mix of prominent reformists and old guard conservatives, mainly selected for their ability to win assembly seats. Reformers are standing in the cities, while the conservatives are meant to appeal to rural voters.

The NKP has scored a significant coup in recent weeks by recruiting two of Korea's most popular politicians to the party.

Mr Lee Hoi-chang, as head of the government audit bureau, helped lead Mr Kim's anti-corruption campaign during his first year in office, but later resigned as prime minister in protest against the president's autocratic management style.

Mr Park Chan-jong, who has stood as an independent in unsuccessful campaigns for president and Seoul mayor, has been a favourite among young voters.

Both are considered potential candidates for the ruling party in the next presidential election in 1997 and they have assumed key posts in parliamentary campaign.

Their ability to gain the party's presidential nomination will depend on how well they succeed in preventing a defeat in the April polls.

Kim Young-sam: victim of South Korean politics' regionalism

# Upgrade proposed for Australian rail

By Nikki Tait in Sydney

Australia's federal government yesterday pledged to spend an extra A$370m (£184m) on investment in the country's rail network if re-elected at a general election on March 2.

The money would be allocated to "Track Australia", a body which would run and upgrade the train tracks on an interstate basis. Australia has a fairly extensive rail network, but commercial usage has been hampered by the fact that much of this is under the control of different state governments.

As a result, until June last year, there was no standard gauge rail and it was impossible to travel or send freight from, say, Brisbane to Perth on a continuous basis.

The Track Australia scheme, mooted last year and given backing by at least some state governments, would see management and marketing responsibility for the rail network passed to the new federal body.

"The problem is that the system has been left to rot by states for so long that in some places the trains can only do 10-15 kilometres per hour," said Mr Paul Keating, prime minister, as he announced the funding package.

"It needs investment in the rail line itself."

Government ministers said that the possible development of a rail link between Alice Springs and Darwin would be one of the "prime responsibilities" of Track Australia.

At present, a rail line runs from South Australia to Alice, but with no onward link with Darwin. This means that manufacturers in South Australia, notably the car industry, are obliged to ship exports to Asia from southern ports.

The Northern Territory government, based in Darwin, has long urged construction of a rail link; there has been talk recently of a A$1bn-plus project with joint government and private-sector funding, although details remain scarce.



## ASIA-PACIFIC NEWS DIGEST

# Guard murders Chinese deputy

A vice chairman of the National People's Congress, China's top legislative body, has been murdered by an army security soldier guarding his home, Chinese national television reported yesterday. The killing of Mr Li Peiyao was first reported on Saturday by the official Xinhua news agency, which did not initially identify the accused as a soldier. Zhang Jinglong, 19, was captured by two colleagues and accused of killing Mr Li in a robbery attempt, the TV report said.

Mr Li, 63, one of 19 NPC vice chairmen, was also chairman of the central committee of the revolutionary committee of the Chinese Kuomintang, one of China's eight nominally democratic parties. *AFP, Beijing*

# China plans exercises off Taiwan

China is planning a large land, sea and air military exercise in the next two months to intimidate Taiwan, according to a US congressional official who asked not to be identified. Intelligence data indicate the exercise will be larger than one last summer when China simulated an amphibious landing with the use of 40 naval vessels and 100 aircraft, he added.

Although most experts believed the Chinese were "posturing" and did not contemplate hostile action against Taiwan, he went on, the situation could get out of hand unless caution was exercised.

His comments lent substance to a Hong Kong press report that Beijing was planning big military manoeuvres before Taiwan's presidential elections on March 23. Taiwanese President Lee Teng-hui yesterday appealed to people not to worry over damage which was being done to economic confidence. *Agencies, Washington, Beijing and Taipei*

Bear's growl, Page 15

# Hong Kong growth rate slows

Growth in Hong Kong's gross domestic product decelerated in the third quarter of last year to 4.2 per cent in real terms over the same quarter in 1994, government estimates released yesterday show. But taking the first three quarters of the year together, GDP grew an average 5.1 per cent over the same period in 1994.

Even at 5.1 per cent, or using private sector economists' full-year calculations of 5 per cent, the trend is of a slowing economy: growth at these levels was last seen in 1990-91 when the aftermath of Beijing's Tiananmen Square massacre, followed by the Gulf war, dampened expenditure. Consumer spending, which has been sluggish for more than a year because of climbing unemployment and flat property and stock markets, remained slack. Private consumer spending grew only 1.1 per cent, with government expenditure up 5.9 per cent. *Louise Lucas, Hong Kong*

## INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

| | UNITED STATES | | | | | JAPAN | | | | | GERMANY | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 101.9 | 98.6 | 102.1 | 99.4 | 85.0 | 100.9 | 95.3 | 101.4 | 102.8 | 118.4 | 99.9 | 97.5 | 103.6 | 103.8 | 107.5 |
| 1987 | 105.6 | 100.7 | 103.9 | 96.7 | 78.1 | 101.3 | 92.5 | 103.1 | 100.1 | 122.8 | 100.1 | 95.0 | 107.9 | 107.1 | 110.9 |
| 1988 | 109.9 | 103.2 | 106.8 | 99.1 | 71.0 | 102.4 | 92.3 | 107.8 | 96.9 | 130.9 | 101.4 | 98.2 | 112.6 | 106.9 | 109.9 |
| 1989 | 115.2 | 108.5 | 109.9 | 101.1 | 74.8 | 105.1 | 94.2 | 114.0 | 96.9 | 123.5 | 104.2 | 99.3 | 117.1 | 108.0 | 107.5 |
| 1990 | 121.5 | 113.9 | 113.5 | 104.3 | 73.2 | 108.4 | 95.7 | 120.1 | 99.8 | 108.1 | 107.0 | 101.0 | 123.5 | 110.3 | 109.9 |
| 1991 | 126.6 | 116.3 | 117.5 | 107.8 | 73.9 | 111.9 | 96.8 | 124.3 | 104.0 | 114.2 | 110.9 | 103.4 | 131.3 | 115.0 | 107.5 |
| 1992 | 130.4 | 117.7 | 120.1 | 108.4 | 74.0 | 114.0 | 95.9 | 125.6 | 112.9 | 115.8 | 116.6 | 104.9 | 138.2 | 121.5 | 110.4 |
| 1993 | 134.3 | 119.2 | 122.1 | 107.7 | 76.3 | 115.4 | 94.3 | 125.8 | 118.9 | 133.5 | 121.7 | 105.1 | 145.6 | 125.9 | 111.8 |
| 1994 | 137.8 | 119.9 | 126.5 | 105.1 | 74.3 | 116.2 | 92.6 | 128.3 | 118.5 | 139.0 | 125.1 | 105.7 | 150.8 | 118.1 | 110.2 |
| 1995 | 141.7 | 122.2 | | | 68.7 | 115.9 | | | | 140.4 | 127.4 | 107.5 | | | 115.5 |
| 1st qtr.1995 | 2.8 | 1.7 | 2.1 | -2.1 | 70.2 | 0.0 | -0.8 | 4.0 | -4.0 | 140.5 | 2.0 | 1.7 | 1.9 | | 115.3 |
| 2nd qtr.1995 | 3.1 | 2.1 | 2.3 | -1.2 | 66.5 | -0.1 | -0.5 | 2.2 | -3.4 | 153.4 | 1.9 | 1.9 | 3.8 | | 116.6 |
| 3rd qtr.1995 | 2.6 | 1.5 | 2.7 | -0.6 | 68.5 | -0.2 | -0.7 | 3.7 | -0.3 | 138.7 | 1.7 | 1.9 | | | 115.2 |
| 4th qtr.1995 | 2.7 | 2.1 | | | 69.6 | 0.8 | | | | 129.1 | 1.7 | 1.3 | | | 115.1 |
| February 1995 | 2.9 | 1.7 | 2.0 | -1.7 | 70.9 | 0.0 | -0.8 | 3.7 | -5.2 | 138.3 | 2.0 | 1.8 | n.a. | | 114.3 |
| March | 2.8 | 1.8 | 2.2 | -1.4 | 68.2 | -0.4 | -0.5 | 3.4 | -3.6 | 145.7 | 1.9 | 1.8 | n.a. | | 117.7 |
| April | 3.0 | 2.1 | 2.2 | -1.4 | 66.1 | -0.2 | -0.4 | 3.5 | -4.5 | 155.0 | 2.0 | 2.0 | n.a. | | 117.6 |
| May | 3.2 | 2.2 | 2.2 | -1.2 | 66.6 | -0.1 | -0.5 | 3.5 | -3.7 | 152.5 | 1.8 | 1.9 | n.a. | | 116.3 |
| June | 3.0 | 2.1 | 2.3 | -1.1 | 68.5 | 0.0 | -0.6 | 0.8 | -2.0 | 152.8 | 1.9 | 2.0 | n.a. | | 116.0 |
| July | 2.8 | 1.7 | 2.8 | -0.6 | 68.6 | -0.1 | -0.7 | 6.4 | -0.3 | 147.1 | 1.8 | 2.0 | n.a. | | 116.7 |
| August | 2.6 | 1.3 | 2.8 | -0.5 | 68.7 | -0.4 | -0.7 | 0.3 | -0.2 | 138.1 | 1.7 | 1.8 | n.a. | | 114.7 |
| September | 2.5 | 1.8 | 2.8 | -0.7 | 69.9 | -0.1 | -0.6 | 2.4 | -0.4 | 130.8 | 1.8 | 1.9 | n.a. | | 114.3 |
| October | 2.8 | 2.1 | 2.7 | | 69.2 | -0.9 | -0.6 | 2.3 | -1.3 | 129.3 | 1.8 | 1.6 | n.a. | | 115.9 |
| November | 2.6 | 2.0 | 2.6 | | 69.6 | -0.9 | -0.6 | 0.9 | | 128.1 | 1.7 | 1.3 | n.a. | | 115.1 |
| December | 2.5 | 2.2 | | | 70.2 | -0.5 | | | | 129.6 | 1.8 | 1.2 | n.a. | | 114.1 |
| January 1996 | | | | | 71.1 | -0.4 | | | | 125.7 | | | n.a. | | 113.0 |

| | FRANCE | | | | | ITALY | | | | | UNITED KINGDOM | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate | Consumer prices | Producer prices | Earnings | Unit labour costs | Real exchange rate |
| 1985 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1986 | 102.5 | 98.0 | 104.5 | 101.6 | 103.4 | 106.1 | 100.2 | 104.8 | 102.7 | 101.3 | 103.4 | 101.4 | 107.7 | 105.1 | 94.3 |
| 1987 | 105.9 | 98.1 | 107.8 | 103.0 | 104.7 | 111.0 | 103.2 | 111.6 | 105.5 | 102.1 | 107.7 | 104.9 | 116.3 | 107.5 | 94.5 |
| 1988 | 108.8 | 102.9 | 111.1 | 104.1 | 102.1 | 116.5 | 106.8 | 118.4 | 109.7 | 100.9 | 113.0 | 108.7 | 126.2 | 110.3 | 102.3 |
| 1989 | 112.6 | 108.2 | 115.4 | 105.2 | 99.6 | 124.2 | 113.1 | 125.6 | 112.3 | 105.1 | 121.8 | 113.9 | 137.2 | 115.1 | 101.2 |
| 1990 | 116.5 | 107.1 | 120.6 | 109.6 | 102.9 | 131.8 | 117.8 | 134.7 | 118.8 | 111.9 | 133.3 | 121.0 | 150.1 | 122.7 | 102.4 |
| 1991 | 120.2 | 105.9 | 125.8 | 113.4 | 100.7 | 140.3 | 121.7 | 147.9 | 129.5 | 113.1 | 141.2 | 127.5 | 162.4 | 129.5 | 105.1 |
| 1992 | 123.1 | 104.3 | 130.3 | 115.6 | 104.5 | 147.7 | 124.0 | 155.9 | 134.3 | 109.8 | 146.4 | 131.5 | 173.1 | 130.5 | 97.7 |
| 1993 | 125.6 | 101.6 | 133.7 | 116.1 | 107.0 | 153.9 | 128.7 | 161.6 | 138.7 | 95.5 | 148.7 | 136.7 | 180.9 | 130.4 | 90.2 |
| 1994 | 127.7 | 102.7 | 136.7 | | 106.5 | 160.0 | 133.5 | 167.0 | 137.9 | 93.5 | 152.4 | 140.1 | 189.5 | 130.4 | 91.2 |
| 1995 | 130.0 | | | | 106.8 | 168.6 | | | | 90.8 | 157.6 | 145.9 | | | 88.1 |
| 1st qtr.1995 | 1.7 | 7.5 | 2.0 | | 106.2 | 4.4 | 6.5 | 2.5 | 0.4 | 89.6 | 3.4 | 3.6 | 5.0 | 2.0 | 90.0 |
| 2nd qtr.1995 | 1.6 | 8.8 | 2.0 | | 106.4 | 5.5 | 8.8 | 2.3 | | 87.4 | 3.4 | 4.2 | 4.7 | 3.1 | 87.3 |
| 3rd qtr.1995 | 1.8 | 7.7 | | | 107.0 | 5.7 | 9.0 | 3.6 | | 92.4 | 3.7 | 4.4 | 4.3 | 3.7 | 88.0 |
| 4th qtr.1995 | 1.9 | | | | 107.6 | 5.9 | | | | 92.8 | 3.2 | 4.3 | | | 87.2 |
| February 1995 | 1.7 | n.a. | n.a. | n.a. | 105.8 | 4.3 | 6.3 | 2.4 | n.a. | 91.6 | 3.4 | 3.6 | 5.6 | 2.5 | 90.3 |
| March | 1.8 | n.a. | n.a. | n.a. | 107.3 | 4.9 | 7.5 | 2.3 | n.a. | 85.3 | 3.5 | 3.8 | 4.8 | 1.2 | 88.2 |
| April | 1.6 | n.a. | n.a. | n.a. | 107.9 | 5.2 | 8.2 | 2.3 | n.a. | 83.7 | 3.3 | 4.2 | 5.2 | 2.8 | 87.3 |
| May | 1.6 | n.a. | n.a. | n.a. | 105.3 | 5.5 | 9.0 | 2.3 | n.a. | 88.6 | 3.4 | 4.2 | 4.5 | 3.4 | 87.4 |
| June | 1.6 | n.a. | n.a. | n.a. | 106.0 | 5.8 | 9.2 | 2.2 | n.a. | 89.4 | 3.5 | 4.2 | 4.4 | 3.0 | 87.3 |
| July | 1.5 | n.a. | n.a. | n.a. | 106.8 | 5.6 | 9.2 | 3.5 | n.a. | 89.8 | 3.5 | 4.5 | 4.9 | 4.0 | 87.2 |
| August | 1.9 | n.a. | n.a. | n.a. | 106.9 | 5.8 | 9.0 | 3.4 | n.a. | 93.0 | 3.6 | 4.4 | 4.2 | 3.4 | 88.1 |
| September | 2.0 | n.a. | n.a. | n.a. | 107.1 | 5.8 | 8.7 | 3.9 | n.a. | 94.4 | 3.9 | 4.4 | 3.9 | 3.6 | 88.6 |
| October | 1.8 | n.a. | n.a. | n.a. | 107.2 | 5.8 | 7.9 | 3.9 | n.a. | 92.7 | 3.2 | 4.4 | 4.0 | 4.1 | 87.9 |
| November | 1.9 | n.a. | n.a. | n.a. | 108.1 | 6.0 | 7.2 | 3.9 | n.a. | 93.5 | 3.1 | 4.3 | 3.6 | 4.1 | 87.0 |
| December | 2.1 | n.a. | n.a. | n.a. | 107.4 | 5.8 | | | n.a. | 95.2 | 3.2 | 4.3 | | | 86.7 |
| January 1996 | | n.a. | n.a. | n.a. | 107.3 | | | | n.a. | 97.1 | | | | | 88.0 |

Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by J.P. Morgan, New York. Consumer prices: not seasonally adjusted. Producer prices: not seasonally adjusted, US - finished goods, Japan - manufactured goods, Germany - industrial products, France - intermediate goods, Italy - total producer prices, UK - manufactured products. Earnings index: not seasonally adjusted, refers to earnings in manufacturing except France and Italy (wage rates in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour costs: seasonally adjusted, measured in domestic currencies. Germany - mining and manufacturing, other countries - manufacturing industry. Real exchange rate: J.P. Morgan real effective exchange rate index versus 18 industrial country currencies, adjusted for change in relative wholesale price of domestic manufactures. A fall in the index indicates improved international competitiveness.

# Clinton submits 1997 budget despite 1996 row

By Patti Waldmeir in Washington

President Bill Clinton was yesterday forced by law to submit next year's budget to Congress, even though the legislature has yet to approve this year's version. He filed a bare-bones outline of his spending and revenue plans for 1997, a slim 20-page document against the usual 2,000-page tome.

The detail in the document is as minimal as the pagination. It outlines a \$1,639bn (£1,064bn) budget for 1997, with a deficit of \$161bn. Both figures are about 4 per cent higher than budgeted figures for this year.

The plan also sketches a deficit-reduction strategy to balance the budget by 2002. This is virtually identical to the budget-balancing offer made by the White House last month, before negotiations with congressional leaders broke down.

Economic assumptions released with the budget project that gross domestic product will grow by 2.2 per cent in real terms this year, compared with 2.5 per cent last year. It projects real growth of 2.2 per cent in 1997 and 2.3 per cent in succeeding years up to 2002.

Mr Clinton yesterday appealed to Republicans to use the new outline to resume negotiations. "I hope we can set aside partisanship and divisions," he told the National Governors' Association, in Washington. He said he was close to agreement with Republicans leaders on welfare reform, a particular budget sticking point.

His 1997 plan suggests that \$596bn could be saved during seven years, by cutting spending in non-mandated areas, such as defence and the environment, and by slowing growth in "entitlement" spending such as publicly funded health care to the poor (Medicaid) and elderly (Medicare).

Some \$124bn would be saved on Medicare, \$59bn on Medicaid, \$40bn on welfare programmes, \$56bn on other mandatory spending, \$297bn on non-mandatory programmes and \$59bn by eliminating some corporate tax subsidies. A modest tax cut for the middle classes would cost \$99bn.

# Aristide's man to be installed in Haiti

## Swearing-in of a successor will not mean the end of the former president's power, writes **Canute James**

Mr René Préval, a former prime minister, is being installed tomorrow as president of Haiti succeeding Mr Jean-Bertrand Aristide. Transfer of power will be regarded a good omen by the US, which intervened in Haiti 18 months ago to end three years of rule by the military.

Late last year Mr Aristide thought about heeding appeals from his supporters that would violate the constitution and remain in office to compensate for the three years he spent in exile after being overthrown by the military. But in the end he rejected their call.

Mr Préval's move into the presidential palace will not mean the end of the political career of Mr Aristide, whose populist platform led him to a handsome victory in the 1990 election. The new president is an ideological clone of Mr Aristide, and is his anointed successor.

In the background, the former president will be an influential force, mainly through the *Lavalas* (Flash Flood) political coalition which swept him to power, which guaranteed Mr Préval's victory in December, and which controls the legislature.

Mr Aristide's closest aides no longer attempt to discount suggestions that his aim is to stand again in the election of 2000.

It will not be an easy term for Mr Préval. He will have to do the difficult tasks which Mr Aristide skilfully avoided while waiting for his term to

Transfer of power: René Préval will be sworn in as president tomorrow Reuter

end. Mr Aristide's administration was committed to implementing wide-ranging economic reforms as a condition for foreign assistance of more than \$1bn (£650m) which Haiti, the poorest country in the hemisphere, desperately needs.

Some elements of the agreement were implemented, but the programme foundered when the government started preparing the privatisation of several state enterprises. Amid clear popular resentment, and the resignation of the prime minister who backed the privatisation, Mr Aristide did not force the issue, preferring instead the safety of ambivalence.

With the legislature unable to fashion a budget, and the currency close to collapsing, Mr Préval will have no alternative but to do what is necessary to unlock the funds and face the expected tide of unpopularity. He will be attempting to find a means to cushion this, say Haitian officials, and plans to speak to international financial institutions and foreign governments about changing aspects of the privatisation programme.

He will also have to move fast to contain Haitian impatience at the lack of economic progress which they had been expecting since the re-instatement of Mr Aristide.

In addition to the absence of the foreign funds that had been expected and the inability to draft a budget, Haiti is feeling other pressures. The government was expecting economic expansion of 4 per cent last year after contraction of 10 per cent the previous year. Preliminary indications are that it did not meet the target. The economy declined by 30 per cent in the three years after 1991.

*Foreign investors have been offered* generous incentives, but few have ventured into Haiti, where unemployment is conservatively put at 65 per cent. Most are awaiting a resolution of the impasse between the country and its foreign creditors and donors, and a clear statement of economic policy from Mr Préval.

They also want to see an improvement in the country's infrastructure, particularly in its telecommunications, electricity, ports and airports – among the enterprises listed for privatisation.

In recent visits to the US and in talks with US officials in Haiti, Mr Préval has been told what is expected of the new administration. The new president's performance this year will be watched closely, and with some anxiety, from Washington.

President Bill Clinton, who engineered Mr Aristide's re-instatement by sending troops to Haiti despite objections from leading congressmen, cannot afford a political and economic setback in Haiti this year. A smooth transition to Mr Aristide's successor will satisfy a part of Mr Clinton's Haitian strategy.

The next step is economic improvement which will keep Haitians at home. In an election year, Mr Clinton's detractors will claim, with justification, that he failed in Haiti, if Haitian boat people again storm US shores.

Mr Préval also faces a formidable task in improving public security. *Although there are now indications* that some parts of the multinational force which has been responsible for security will stay on for a few months, there are many guns in the hands of people who still feel they would be better off if the military were in power. Improved relations with the neighbouring Dominican Republic – a haven for overthrown Haitian dictators and fallen military leaders – will help. But Haitian officials privately admit continuing concern about the ability of the refashioned constabulary to deal with incidents of terrorism.

With his longer-term political ambitions, Mr Aristide will not want to be seen as too involved in Mr Préval's difficulties. The new president might be forgiven if he were to conclude that by the end of his term, history will have recorded him as a slight, if necessary, interruption to Mr Aristide's larger political ambition.

# Buchanan and Gramm fight for Louisiana's right

By Jurek Martin in Washington

Senator Phil Gramm and Mr Patrick Buchanan have most at stake among the Republican presidential candidates in today's party caucuses in Louisiana.

Both have said that victory is vital for one of them to emerge as the leading right-wing alternative to Senator Bob Dole, or even to Mr Steve Forbes, the magazine publisher.

The Louisiana event is a ploy by state Republicans there to steal a publicity march on the Iowa caucuses next Monday. Mr Dole, Mr Forbes and most of the other candidates have refused to campaign there, thus reducing its significance, though the caucuses will choose the first delegates, 21 in all, to the party convention in August.

Mr Dole would probably prefer a Buchanan victory in Louisiana because it would damage the better-financed Mr Gramm. Mr Buchanan, the conservative polemicist, is still a more improbable party nominee than Mr Gramm, but both have been damaged by the sudden surge for Mr Forbes.

Mr Gramm, from Texas, said "I clearly need to win in Louisiana" and finish in the top three in Iowa. He predicted that Iowa would whittle down the field to three viable candidates before the New Hampshire primary on February 20.

Mr Buchanan agreed and thought he had gained momentum after his victory last week in the Alaska Republican straw poll, where he just beat Mr Forbes and scored double Mr Dole's vote.

Both spent some time attacking Mr Forbes, now the subject of intense media and public scrutiny. Mr Gramm doubted that the publisher could win more than 35 per cent of the national vote if he were the nominee against President Bill Clinton.

"There are two Forbes," Mr Gramm said. "One is the Reagan Republican of the slick commercials. But the other Steve Forbes is the Rockefeller Republican of 21 years of editorial writing" which had supported President Jimmy Carter's economic policies and tolerance of homosexuals in the military.

# Tobacco industry reels with charges by whistle-blower

By Richard Tomkins in New York

The US tobacco industry has suffered a setback in efforts to counter an increasingly powerful anti-smoking movement following a television broadcast of damaging allegations by a former tobacco company executive.

Mr Jeffrey Wigand, a former research director of Brown & Williamson Tobacco, part of Britain's BAT Industries, claimed his former employers had long known that cigarettes were addictive and damaging to smokers' health, but concealed the evidence from the public.

He accused the company of misleading a congressional committee in denying that nicotine in tobacco was addictive.

He also claimed that Brown & Williamson had frustrated his efforts to create a safer cigarette and accused the company of having continued to use an additive in one of its pipe tobaccos in spite of reports that the additive was carcinogenic.

Mr Wigand, who was head of research at Brown & Williamson from 1989 to 1993, is by far the highest-ranking whistle-blower to have emerged from the tobacco industry, and his allegations have attracted extensive media coverage.

The allegations were broadcast on the CBS News programme "60 Minutes" on Sunday night. The programme was originally due to have appeared last November, but CBS delayed it fearing it would instigate a lawsuit by Mr Wigand's former employers.

CBS changed its mind aft[er] The Wall St[reet] Journal obtained and p[ublis]hed details of a sworn [depo]sition Mr Wigand gave [in] connection with a Mississ[ippi] lawsuit. The deposition co[ntai]ned accusations substant[ially] the same as those Mr Wig[and] made on the television pr[ogram]me.

BAT Indu[stries] said yesterday: "Wigan[d ha]s been allowed to make u[nchal]lenged allegations abou[t Bro]wn & Williamson. We b[eliev]e that when we have th[e o]pportunity to cross-exa[mine] him, the truth will com[e ou]t and the public will see [som]ething rather different."

Mr [Wiga]nd's allegations come a[s th]e tobacco industry faces u[npre]cedented legal and politic[al p]ressures. Former smoke[rs a]re trying to bring multi[-billi]on dollar lawsuits again[st th]e tobacco companies, and [some] states are trying to sue t[hem] for the medical costs of t[reatin]g smokers.

In [Wa]shington, the Justice De[part]nent is investigating wh[ethe]r tobacco executives lie[d to] Congress in 1994 and sw[ore] that the nicotine in to[bacc]o was not addictive; and th[e F]ood and Drug Administrat[ion] has proposed rules that [woul]d crack down on selling [ciga]rettes to minors.

[La]st week the tobacco indus[try] received another setback [wh]en an appeal court in Flo[rid]a ruled that anti-tobacco [pl]aintiffs could bring a class [ac]tion suit against the indus[tr]y, seeking compensation for [s]moking-related illnesses. [P]hilip Morris, the biggest US [t]obacco company, said it would ask for a re-hearing or, if necessary, ask the Florida Supreme Court for a review.

EU commissioner proposes tougher transport pricing

# 'Railway renaissance' is urged for Europe

**PA News Reporter in London**

Mr Neil Kinnock, the European Union transport commissioner, called yesterday for a "railway renaissance" to save lives and the environment.

"Throughout Europe, the development of rail transport is central to the achievement of an efficient, safe and environmentally responsible transport system for the next century," he said at a conference in London. Mr Kinnock was leader of Britain's opposition Labour party during the Thatcher premierships of the 1980s.

He called for firmer pricing policies which made different types of transport reflect their true cost to society. Relative prices of public and private transport should reflect the true cost of accidents, pollution and congestion. Six times fewer people were killed in trains than in cars for each kilometre travelled by a passenger, he said. Pollution from rail transport was only a fraction of that caused by road vehicles.

He said there was a growing need for mobility, and increasingly congested roads could not keep pace with the demand. "Transport policy and transport provision must therefore be rebalanced, potential capacity in non-road transport must properly be utilised and there must be a shift to the more environmentally friendly modes," Mr Kinnock said at the conference organised by the Association of London Government.

"We need a railway renaissance to safeguard accessibility, to curb congestion and improve the safety performance of the transport system in the UK and, more generally, across Europe, west and east."

Traffic volumes in the European Union were forecast to double in the next 20 years, Mr Kinnock said. "Endless traffic jams, suffocating urban air pollution, endemic delays and rising insurance bills are already everyday facts of life – and of death in a European Union in which 1,000 women, children and men are killed every week in road accidents."

A shift to public transport was a "precondition" of sustainable economic success, and he warned of a stark future if nothing was done. "It is gridlock in the urban areas that then spreads along the main connecting networks of Europe. It is massively expensive and noxious paralysis on a continental scale."

"Public transport, in order to be able to attract a substantial increase in use, must . . . obviously be safe, clean, efficient, well-designed and affordable with easy connection between systems, clear information and adequate staffing," Mr Kinnock said.

It was also essential that it should be accessible – to the elderly, the disabled, parents with babies and shoppers with heavy bags.

# Labour recruits industry muscle to help on policy

**By Michael Cassell, Business Correspondent**

Mr David Allen, marketing director of Digital Equipment, the computer group, has never voted Labour in his life. But he is helping the party formulate its policy on science and technology in the run-up to the next general election.

Mr Allen has joined dozens of other executives on one of the six task forces just established by the Industry Forum, an independent body created in 1993 to encourage dialogue between Labour politicians, academics, industrialists and financiers.

The initiative, unveiled last week by Mrs Margaret Beckett, the party's shadow trade and industry secretary, aims to update the party's industrial strategy and to build trust with a business community which traditionally has been critical of Labour policy.

Mr Allen says his personal politics are irrelevant. Digital, he emphasises, wants to ensure all parties understand that UK industry is failing, primarily because financial institutions remain risk-averse and because national competitiveness remains more a matter for rhetoric than action.

The party's attempt to portray the new initiative as transparently non-political was temporarily sidetracked at the launch when Sir Terence Conran, the retailer and restaurateur who is participating, said he vote Labour.

But while some of those involved in the task forces may hold Labour sympathies, corporate members are studiously maintaining a politically impartial approach.

"Our involvement is not an expression of support for Labour and neither does it reflect expectations about the likelihood of a Labour government", said Mr Chris Strutt, director of UK government affairs for SmithKline Beecham, the pharmaceuticals company.

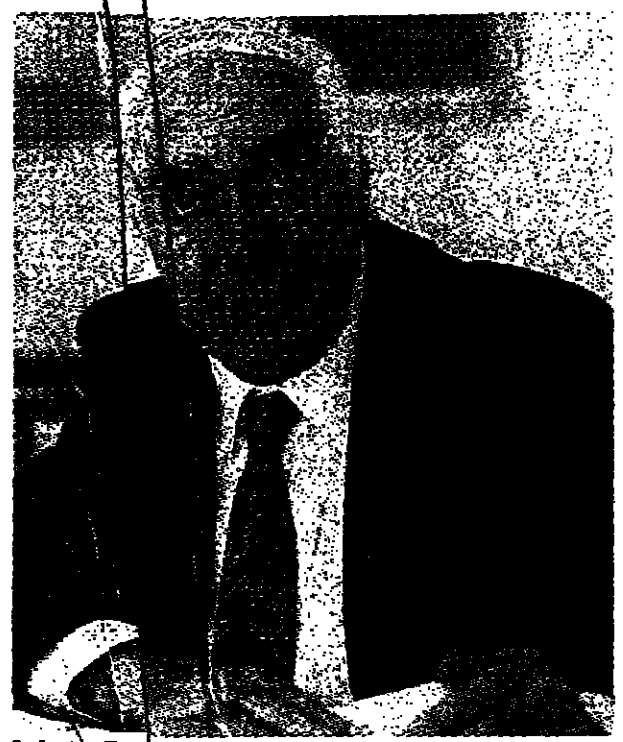
"It is a sensible approach intended to ensure that the party develops sound policies in areas which are crucial for our company," he said. "If we don't take part, we may end up with unhelpful policies."

Despite concerns expressed by some participants, the task forces will not be an arena for blatant lobbying, says Mr Gerald Frankel, chairman of the industry forum and the businessman behind its creation. "There is an element of self-interest but a surprising number of people just want to help British industry succeed by formulating sensible policies", says Mr F[...]n aiming to bridge the po[...]-industrial divide, the for[...]w includes the Institute [...] Directors among a growi[...]embership of nearly 300. [...] IoD, an avowedly non-[...]cal body but one which h[...]w Labour sympathies, says[...]welcomes the chance to [...]ticipate. Other members o[...] forum, which also runs [...] inter-est group meetings[...] organ-ises conferences[...]nclude British Gas, Ham[...] Bank, Nissan, Tesco and [...] Well-come.

The results of the [...] force discussions will be c[...]ed in the summer and Mrs [...]kett will put a revised industrial strategy document to this year's party conference.

The governing Conservative parety has dismissed the initiative as another doomed pre-election attempt to appear pro-business. Ministers intend to paint the opposition as a party which, despite its posturing, remains unable to fully embrace the market economy and which is still intervention-ist by inclination.

But the Labour party believes its strategy will be harder to denounce if it can demonstrate that industry itself has been the joint architect.



Industry For[...]airman Gerald Frankel: "People just want to help British in[...]try succeed by formulating sensible policies"

# EU farms chief attacks Brussels

**By Alison Maitland in London**

Sir David Naish, who is president of Copa, the umbrella organisation for farmers' unions in the European Union, has attacked what he calls "one-sided" trade agreements being pursued by the European Commission to the detriment of EU producers. Sir David is also president of the National Farmers' Union of England and Wales.

The deals could open the door to cheap imports from producers unconstrained by the environmental and food safety standards demanded of EU farmers, he said. Inviting farm products from these regions into the EU "will inevitably put [our] agriculture under a new lot of stress unless it's done under sensible trading arrangements", he added.

His remarks highlight concern among farmers and some EU governments about the number of bilateral agreements being negotiated or contemplated by EU commissioners. Deals to establish free trade areas with partners in the developing world, from northern and southern Africa to South America, would eliminate tariffs and other trade restrictions.

Last week EU foreign ministers cleared the way for trade talks with South Africa, but only after strong resistance from France and Germany, partly spurred by their farm lobbies.

Sir David said farmers should prepare for more open markets, but competition had to be fair. "The [trade deals] always seem to be one-sided, because so many of these countries have no other exportable product than food.

"The consumer should have absolute trust that what they're given to eat is 100 per cent safe," he continued. We know the very structure of some of [these countries] they haven't got the policing mechanisms – never mind the laws – to make some of those warranties."

# Senior Tory MP set to denounce monetary union

**By Robert Shrimsley, Lobby Correspondent**

Mr John Redwood, whose challenge for leadership of the governing Conservative party was defeated last summer, will tomorrow demand moves to end the "obsessive secrecy and obscurity" of the European Commission.

Mr Redwood will publish a paper on Europe in advance of the government's document setting out its strategy for the forthcoming EU intergovernmental conference.

His paper says progress to a single currency causes "unemployment, budget cuts, very high interest rates and monetary policy far tighter than countries need or can bear".

He proposes to limit the policy-making power of the Commission and reduce the authority of the European Court of Justice. He will also back fines in the form of withheld EU grants for nations which help perpetrate fraudulent use of EU funds.

The Redwood paper comes as British ministers are making increasingly sceptical noises about Europe. In recent weeks Mr John Major, the prime minister, and Mr Malcolm Rifkind, the foreign secretary, have adopted tough stances against federalist forces.

Mr Redwood's paper is intended to offer ideas for the British negotiating position at the intergovernmental conference. In particular ways to reduce the power of the Commission to initiate policy. Directives from the Commission should be subjected to year-long Europe- wide consultation exercises, he argues.

This would allow measures to be thoroughly discussed and debated by national parliaments before an EU decision is taken. Amendments would have to be submitted a month before the directive went to the Council of Ministers, and EU linguists should be prevented from making textual alterations without reference back to the Council of Ministers.

This would rein in the Commission's power as the sole initiator of legislation and throw open the process to the public, Mr Redwood will argue. As part of a co-ordinated strategy to tackle EU fraud he will suggest that the European parliament should assume a stronger role as the "taxpayers' watchdog" and should be more ruthless in questioning and criticising EU officials.

# Train company manager suspended

**By Charles Batchelor and George Parker**

A senior manager has been suspended from duty at LTS Rail, the train operating company whose takeover of the London, Tilbury and Southend line was frozen because of irregularities in accounting for ticket revenues, the company said yesterday.

Mr Ian Burton, LTS's retail manager, was suspended to allow him to co-operate more fully with investigations being carried out by British Rail and by the rail regulator. LTS, which did not name Mr Burton, said it would not be appropriate for the manager to carry out his duties, some of which involved passenger safety.

Mr Burton is the second casualty of the investigation into allegations of fraud at the company. Mr Colin Andrews, commercial director at LTS, resigned following the revelation of claims that LTS had kept more than its share of ticket revenues.

Announcement of the suspension came on the day of the formal launch of services by the two other privatised rail companies, South West Trains and Great Western.

The Department of Transport said yesterday that even if LTS Rail were stripped [...]e franchise, that would not [...]y the route's transfer to th[...] vate sector by more than a[...] weeks. "We would not hav[...] go back to the beginning of[...] franchising process," an o[...]cial said.

Miss Clare Short, a Labo[...] MP, demanded in the Co[...]mons that the offer to LTS [...] withdrawn "because they hav[...] shown themselves to be a co[...]rupt management team". Under protest from Tory MPs she added the phrase "if the allegations are true."

LTS has been accused of issuing tickets at its London Fenchurch Street terminus but selling them at two suburban stations where there are also London Underground stations. This reduces the share of the ticket revenues transferred to London Underground from 42 per cent to 28 per cent, depriving it of up to £30,000 ($45,300) a month.

Revenue allocation could become a source of controversy between the different main line [...]rain companies and London [...]ransport now that privatised [...]ompanies are starting to [...]erge.

When British Rail ran the [...]ire rail network disputes [...]e uncommon because all [...]enues returned to BR.



هكذا من الأصل

# Officials irked by Iraq arms probe

By Jimmy Burns and John Kampfner in London

Government officials will break with their tradition of anonymity by defending themselves publicly against criticism in Sir Richard Scott's arms-for-Iraq report.

Government departments are considering allowing individual officials criticised in the report to issue statements defending their conduct during the 1985-90 period covered by the inquiry. The report is to be published on February 15.

Middle-ranking civil servants have consulted trade union lawyers and are determined to oppose any internal disciplinary action against them which might arise from the inquiry's conclusions. They have made clear they are not prepared to be used by ministers as scapegoats.

An apparently concerted campaign of criticism by people brought before the inquiry has forced Sir Richard to break his self-imposed silence on the subject.

Without mentioning Lord Howe, the former foreign secretary who has led the attacks, Sir Richard says in a television interview to be screened tomorrow: "The people who have uttered these criticisms were not on my Christmas card list anyway, and they are not about to go on it."

Sir Richard told Channel Four's Dispatches programme he stood by the format of the public hearings, amid criticisms from Lord Howe and others that he had acted as prosecutor, judge and jury.

He adds: "It would be naive to suppose that the conclusions that I have reached will not be affected to some extent by party political concerns – particularly being so near an election. That is going to happen."

Within the government machine it is being generally assumed that the judge's final report will not be substantially different in its emphasis to a draft version circulated to officials early last year.

Senior officials say that, whatever the conclusions, the prime minister is preparing to stand by those ministers most criticised, notably Mr William Waldegrave, Treasury chief secretary, and Sir Nicholas Lyell, attorney-general. There is some speculation that Sir Robin Butler, cabinet secretary, might take early retirement to divert trouble from colleagues and to take responsibility for the government machine.

One section of the report is believed to name officials in three departments – trade and industry, the Foreign Office and the defence ministry – for responsibility for systematic failings in government conduct during the 1980s.

Party chiefs expect uproar about 'stringing along creditors' to fade

# Deputy PM defends late payers

By James Blitz at Westminster

Conservative party officials were confident yesterday that Mr Michael Heseltine, deputy prime minister, would survive criticism of his endorsement of late debt payments by companies, despite continued attacks on him by Labour and Tory MPs.

Although some Conservative MPs admitted that they had been embarrassed by Mr Heseltine's claim that he had been "quite skilful at stringing along the creditors" during his business career, officials at the Conservative party's Central Office said the deputy prime minister had been speaking in a personal capacity – and that the uproar would soon die down.

Mr Heseltine said on BBC TV's *Breakfast with Frost* on Sunday that many people who set up a business "face moments when they find it difficult to pay their bills".

He admitted that he "certainly went through that experience" when he was setting up companies in the period before he entered the government and that "certainly in those circumstances the creditors waited for their money".

He added: "If I hadn't delayed, I would have gone bust. They [the creditors] would have got nothing."

Sir Peter Fry, a long-standing Conservative MP, was one of a number who criticised Mr Heseltine over the remarks, claiming that they were "the wrong message for small businesses".

"The remarks were not helpful," he said, adding that "time and time again" companies in his constituency went bankrupt because of late payment by larger corporations.

Mr Gordon Brown, the opposition Labour party's shadow chancellor of the exchequer, called on Mr Heseltine to apologise to Britain's small businesses, arguing that "small businesses want a lead from this government, not a kick in the teeth."

Labour sought to consolidate its criticism of Mr Heseltine's remarks amid signs that the party might endorse a statutory interest on late repayment of debt in a policy document later this year.

Ms Barbara Roche, Labour's shadow minister for small businesses, contrasted Mr Heseltine's comments with a statement recently made by Mr Kenneth Clarke, chancellor of the exchequer. He declared that late payments "wreak havoc with cashflow, and . . . can make the difference between survival and failure."

Ms Roche's office also pointed out that the Department of Trade and Industry's late payment record had deteriorated significantly during the three years in which Mr Heseltine had been in charge of it.

Her office quoted government statistics showing that, in 1992-93, Mr Heseltine's first year at the department, it had paid 90.5 per cent of its bills within 30 days of the agreed credit period. This had dropped to 84 per cent in 1994-95, Mr Heseltine's last year in the post.

Michael Heseltine: "If I hadn't delayed, I would have gone bust; creditors would have got nothing"

# Directors may be liable for landfill tax

The British government is proposing to make directors of companies personally liable for the payment of a new environmental tax, in a move widely seen as an unprecedented attack on limited liability, *Jim Kelly writes*.

According to leading accountants, a little noticed clause in the Finance Bill would mean that directors of waste management companies could lose all their personal wealth if their companies failed to meet bills for the new landfill tax.

Customs and Excise, which will administer the tax, said the clause was needed to protect government revenue. But business organisations said it was a breach of the tradition which protects directors from company debt.

The landfill tax, to be introduced on October 1, is a charge on waste management companies for disposing of waste by weight.

The Confederation of British Industry said the provision was "clearly unjust and should be amended so that the liability of directors in relation to the landfill tax is consistent with existing tax law".

But Customs said the clause was a "revenue protection measure and a way of making sure the tax is paid" - especially in view of the high ratio of the tax to the value of the transactions it covers.

UK NEWS DIGEST

# Warburg cuts analysis in US sectors

SBC Warburg, the merged investment banking business of Swiss Bank Corporation and S.G. Warburg, has cut its analysis of US companies while holding its position as the lead research house in the UK. The investment bank, whose analysts had covered about 10 US industries, is to limit its efforts to the five in which it has particular expertise: energy, mining, capital goods, airlines and telecoms.

SBC Warburg said it planned to add to its teams for these five areas, but the reorganisation is expected to result in a net loss of jobs in the US research operation. It has also reduced the salesforce which sells US equities in Europe. The curtailment of some US research is part of a more general retrenchment during which SBC Warburg is making about 20 staff redundant from a total of 300 with the US operations. While dropping the weaker elements of US coverage, SBC Warburg retained its position as the best research house in the UK according to Consensus Research, the market research company.

UK companies surveyed said SBC Warburg had the best analysts on average, followed by NatWest Securities, Kleinwort Benson, Merrill Lynch, UBS, James Capel, Barclays de Zoete Wedd, ABN Amro Hoare Govett, Credit Lyonnais Laing and Goldman Sachs. In the survey, published yesterday in Securities & Investment Review, SBC Warburg's analysts were rated top in property, breweries, food producers and insurance.

*Nicholas Denton, Financial Staff*

## Soccer clubs may face EU competition probe

English soccer clubs which tie the sale of tickets for European football matches to expensive travel packages risk investigation by the European Commission for anti-competitive practices. Competition authorities in Brussels have told Mr Glynn Ford, a member of the European parliament, that the use of sole agents for travel packages breaks competition rules. The Commission said it did not have enough evidence to judge whether English clubs were acting illegally. However, in 1992 it ruled that the organisers of the 1990 World Cup in Italy had acted illegally in awarding exclusive ticket rights to a single tour operator.

*Emma Tucker, Brussels*

## Chief government inspector deplores school standards

The government will publish league tables of schools for children aged five to 11 for the first time next year, after its chief inspector announced that half of them were unsatisfactory. Mrs Gillian Shephard, the education and employment secretary, announced that tables covering 11-year-olds' performance in this year's national curriculum tests would be published early next year. The results of the first tests taken by 11-year-olds, announced last month, revealed more than half did not reach the expected standards in literacy and numeracy. At that point Mrs Shephard said league tables must wait until the tests had "bedded in". Her change of plan follows the annual report by Mr Chris Woodhead, the chief inspector of schools in England and head of Ofsted, the schools inspectorate, which made damning criticisms of education for children aged five to 11. It found that half of all schools for that age group needed to raise standards.

*John Authers, Public Policy Staff*

## Amstrad to shed jobs in lossmaking offshoot

Amstrad is to make about 150 of its 1,300 staff redundant after a re-organisation of its lossmaking consumer electronics operations. The move comes six weeks after Mr David Rogers, Amstrad's chief executive, resigned after a boardroom disagreement over restructuring of the business. Most of the job cuts relate to Amstrad Trading, which is based at Amstrad's headquarters east of London.

Meanwhile the Amstrad Direct business, which handles the group's direct sales of home personal computers and facsimile machines, is to relocated to west London and will be managed as a subsidiary of Viglen, Amstrad's PC subsidiary. Amstrad Direct's factory in Shoebury to the east of London will close by May. "The market trend in consumer electronics means only lean organisations who concentrate on their core skills will flourish," said Mr Alan Sugar, Amstrad chairman.

*Paul Taylor, Industrial Staff*

## Contracts

Rumbold, the aircraft interiors subsidiary of **BSG International**, has been awarded a five-year contract from United Airlines for seating products worth an estimated $14m. It has also won a contract to supply galleys and coffee makers to Southwest Airlines.

● **Virgin Atlantic** has appointed Manchester (Ringway) Handling as its ground handling agent for its new daily service to Orlando, Florida, which starts operating from Manchester in May.

● *Runcorn-based* **VBG**, which makes couplings for commercial vehicles, has agreed to supply wheels to manufacturer Fruehauf France. Direct supply will replace an 11-year-old licence agreement under which Fruehauf made VBG-designed couplings.

***Dancers barred:*** *Members of Aberystwyth council on the west coast of Wales opposed the use of Morris dancers to attract tourists.* Morris dancing is an English rural tradition in which men dress in white and wear ribbons, and council members demanded something more traditionally Welsh. "We have had cowboy specials on our local railway line for a number of years with people dressing up in Wild West costume and nobody has ever objected to that not being Welsh enough," said council member Ms Marina Ellis.

BUSINESS AND THE LAW

# Insurance fraud trial ruling

EUROPEAN COURT

The European Court of Justice has ruled that it was not discriminatory and unlawful for Italian criminal procedure to prevent Lloyd's of London intervening in an insurance fraud trial.

The case arose out of criminal proceedings against Mr Gianfranco Perfili, a Rome jeweller, who had theft insurance with Lloyd's. He was prosecuted for making a false claim and attempted fraud.

Lloyd's had appointed a general representative in Italy by a general power of attorney drawn up under English law and in accordance with international treaty provisions abolishing the requirement for legalisation of foreign public documents.

The representative conferred on a lawyer a special power of attorney, *in accordance with Italian* rules of procedure, so that he could pursue a civil claim for damages on Lloyd's behalf in the course of the criminal proceedings against Mr Perfili.

This application to intervene as an injured civil party was refused by a Rome magistrates' court, as the Italian criminal code provided that such a civil action could only be made by a representative who had been given a special power of attorney.

*The Lloyd's representative had* not been given such a power although under English law such a general power could be treated as signifying an intention to grant a special power.

The Italian court concluded that this resulted in manifestly unequal treatment of Italian and British nationals as where the latter were victims of crime they were prevented from asserting their interest in civil law by the existence in Italy of rules which *did not exist under English* law.

It therefore referred two questions to Luxembourg. The European Court interpreted the first question as asking whether the Rome Treaty provisions which *prohibit discrimination on* grounds of nationality precluded a member state's legislation from requiring a victim of a crime who wished to bring an action as a civil party in criminal proceedings to grant his representative a special power of attorney, even when the law of the member state of the victim did not lay down such a formality.

The treaty provides that *any discrimination on grounds of* nationality is prohibited within the scope of the treaty's application. The Court therefore stressed that the Italian legislation must be examined in the light of the treaty's provisions concerning *freedom of establishment* or freedom to provide services.

The court referred to existing case law where it had consistently ruled that although member states were prohibited from applying their laws differently on the grounds of nationality, such a prohibition was not relevant to the disparities of treatment where those differences affected all *persons subject to them in* accordance with objective criteria and without regard to their nationality.

The Court observed that neither the question referred nor the argument made by the parties had explained how the Italian legislation could constitute an unjustifiable obstacle to freedom of establishment or freedom to provide services.

In answer to the first question the Court therefore concluded the treaty must be interpreted as not precluding a member state's legislation from requiring such a special power of attorney in such cases.

By its second question the Italian court had asked whether the relevant provision of the criminal code was contrary to article 6 of the European Convention on Human Rights and whether the convention was relevant to the case. Article 6 guarantees the right to a fair trial.

The Court observed that where national legislation fell outside the field of application of *European law it had no jurisdic*tion to give an answer to such questions. Thus in the light of its answer to the first question, there was no need to answer the second.

*C-177/94: Gianfranco Perfili/Civil Party v. Lloyd's of London. ECJ 6CH. February 1 1996.*

BRICK COURT CHAMBERS, BRUSSELS

# Gunning for the pirates

## The film industry faces new concerns over copyright, says Robert Rice


Film 2000, a report published recently on the British film industry by accountants Casson Beckman, concluded that producers need to rethink radically their approach to raising finance and marketing movies if the industry is to survive beyond the millenium.

*A survey of 800 film executives* found that 69 per cent believe lack of finance remains the industry's main weakness, with lack of government support in the form of tax breaks a significant contributory factor.

Looming large, however, is a potentially far more significant threat to the viability of the film industry, not just in Britain but in the whole of Europe – the lack of an adequate legal regime for protecting copyright in the digital age.

"The bottom line," says Mr Richard Constant, general counsel of PolyGram, the world entertainment company, "is that unless we are guaranteed a return on our investment by a carefully constructed system of copyright law, it is pointless our investing in what is an extremely risky business."

Although PolyGram is a relative *newcomer to the film business*, it is clear that its attitude to future investment is shared by other European producers and distributors.

With a medium-budget film costing Ecu18m (£14.5m) to make and between Ecu8m and Ecu10m to market, and with *only one in eight* films resulting in a net return on investment, strong copyright represents the necessary counterweight to the risks involved, they say.

Failure by the European Union to address their concerns about the lack of adequate copyright protection could, therefore, have dire consequences for the EU's audiovisual industry, which could ultimately provide jobs, directly or indirectly, for 4m people.

The digital era presents the audiovisual industry with a double-edged sword. Digital and compression technologies offer new possibilities for film distribution. But they also *allow for easy and unauthorised* mass reproduction, distribution and modification of works.

At the moment, the quality of images or sound taken from the Internet, the time it takes and the cost, makes mass reproduction unviable. *But the technology already* exists and Mr Constant believes that in the music sphere, at least, the quality of material on the Internet will soon be as good as a compact disc bought in a shop.

In any event, he believes it is a *racing certainty the technology* will develop to make illegal mass reproduction a commercial proposition before the EU can legislate to protect copyright owners in the digital age. "Legislation always lags technological development," Mr Constant says. "So often, solutions emerge only once there is a problem and it starts to hurt."

The EU and other governments have already recognised the need to adapt existing regulatory systems to the digital era.

The Group of Seven ministerial conference, organised by the European Commission last February, concluded that "high levels of legal and technical protection of creative content" will be essential to ensure the "necessary climate for the *investment needed for the* development of the information society".

The Commission has produced a green paper on copyright in the information society. But in order to give the Commission a nudge in the *right direction and present* a united industry front, PolyGram founded the European Film Companies Alliance, a group of leading film companies including Bertelsmann in Germany, Chargeurs and Ciby 2000 in France, Rank in the UK, RCS in Italy and Sogepaq in Spain.

At a meeting in Brussels last month, the alliance left the Commission in no doubt as to its requirements and of the need for speed. Three issues in particular need to be addressed.

The alliance maintains that Europe's position in the entertainment and cultural sector will be determined by the level of copyright it grants to film companies.

The US has always had strong copyright laws, allowing producers to enjoy full control over the exploitation of films. The alliance argues this has been a significant factor in the strength of the US in the global entertainment market.

In Europe, by contrast, the producer has always played second fiddle to the director under EU copyright laws.

The alliance says it is vital to the health of the film business that in future the rights granted to directors, scriptwriters and performers are transferable without restriction to the risk-taker – the producer. The responsibility for realising the maximum commercial potential for the benefit of all contributors to a film is the producer's and it cannot do that effectively without having all necessary rights.

As a consequence, the alliance wants the EU to change the law to guarantee film companies the exclusive rights to authorise or prohibit distribution and copying of their material on electronic networks such as the Internet.

The alliance also maintains these rights are necessary if the industry is to avoid the damaging principle of compulsory licensing under which companies are forced to sell output at rates determined by a third party.

At present, every copyright law in the EU provides that film companies hold the exclusive right to authorise or prohibit the direct or indirect reproduction of their films. However exceptions to this right are allowed, mainly in respect of private use, or home copying.

As a result, 12 of the 15 EU member states have a system of compulsory licensing consisting of private copying royalties levied on the sale of blank tapes and/or recording equipment to compensate rights holders for lost sales due to private copying.

The alliance says, however, that this idea of "equitable remuneration" in compensation for private copying reflected circumstances in the 1970s when it was impossible to enforce the reproduction right through legislation or technical systems.

Today, it says the amount of work copied privately, both music and film, exceeds pre-recorded material purchased by nearly three to one, and this is bound to grow with the information superhighway.

Consequently, it says the legality of private copying needs to be reviewed and exceptions to the reproduction right abolished as electronic delivery makes private copying an even more attractive proposition.

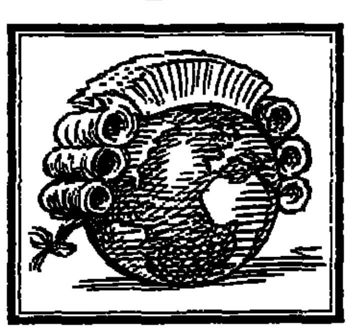
Finally, if copyright legislation is to be effective, there needs to be a means of properly enforcing it. The alliance is calling on the EU to take a lead in promoting the development of effective technical systems for controlling reproduction and distribution in the digital environment.

Conditional access, or encryption, systems will be required to control use, and legislation will be needed to make them compulsory and to create criminal offences to deal with abuse, such as the import, distribution and sale of equipment aimed at circumventing technical copyright protection systems.

Other changes will be necessary to update legal definitions of such things as broadcasting and reproduction, but Ms Jill Tandy, a PolyGram lawyer, emphasises that the alliance is not calling for copyright law to be completely recast.

"There was a camp for wholesale recasting but we take the view that copyright can be adapted," she says. "After all, it has adapted pretty well to other changes this century. Rewriting could throw us into turmoil."

## LEGAL BRIEFS



### Authorisation denied to quantity surveyors

A group of construction consultants and quantity surveyors has been refused authorisation to grant litigation and audience rights. The Institute of Commercial Litigators, led by James R Knowles, wants the right to conduct litigation and appear as advocates in construction and engineering disputes.

The Lord Chancellor's Advisory Committee on Legal Education and Conduct says if the institute were permitted to grant such rights it would extend choice only at the serious risk of substantially lowering standards of service to the public.

The committee also takes the view that the institute is not yet capable of enforcing qualification regulations or rules of conduct as required by the 1990 Courts and Legal Services Act.

The rejection does not prejudge any future application, according to the committee. However, it says that the institute lacks independence and reality at the moment, and these fundamental defects cannot be remedied in the short term by amending the application or the institute's conduct rules or qualification requirements. However, it should should take heart from the fact that four members of the committee dissented from that view.

### Move from SEC

Ms Linda Quinn, the US Securities and Exchange Commission director, is to join the New York-based international law firm Shearman & Stirling as a partner.

Ms Quinn spearheaded the reforms which opened the US capital markets to foreign corporations. Since 1990 more than 500 foreign companies from 41 countries have entered the US public markets for the first time as a result of her initiatives.

## TECHNOLOGY

Two systems to combat potential signature fraud in cyberspace are outlined by **Larry Donovan**

# Secret identities

For centuries, a signature has been the way to close a business deal. But how can you sign your name in cyberspace and be sure it is secure?

As electronic commerce becomes more popular, it is an increasingly relevant question for business. Already, even with the risk of security breaches, more and more businesses and their customers are setting up systems for computer-to-computer exchange of documents.

But the growth in use of electronic commerce could be faster still if a signature could be effortlessly and securely tied to everyday business deals. This is prompting the development and upgrading of electronic signature software.

Two ways are emerging to make an electronic mark that carries the same credibility as a handwritten signature. One is capturing on computer the "behaviour" of a person's signature – a biometric model.

The other approach relies on an algorithm, or mathematical procedure, to form a "digital signature". This is the basis of so-called public-key cryptography which, its supporters believe, is an important step toward a secure form of electonic commerce.

In a departure from traditional forms of cryptography, where the sender and recipient use one secret code to encrypt and decrypt messages, this technique gives a user two software "keys". The information on a public key can be published in a directory, but data on a private key is known only to the owner. Both keys are needed to complete a transaction.

For example, a New York bookstore chain buyer looks up the public key listing of a London publisher. The buyer encrypts the electronic order with the publisher's public key. Once the information is encoded it cannot be opened by the buyer, and belongs to the publisher. The order is then sent to London over a network where the publisher uses his corresponding private key to open it.

A public key could therefore be viewed as a home address which allows anyone to send a private letter. But once the letter is dropped through the front door, only the owner with the private key to the door can retrieve the mail.

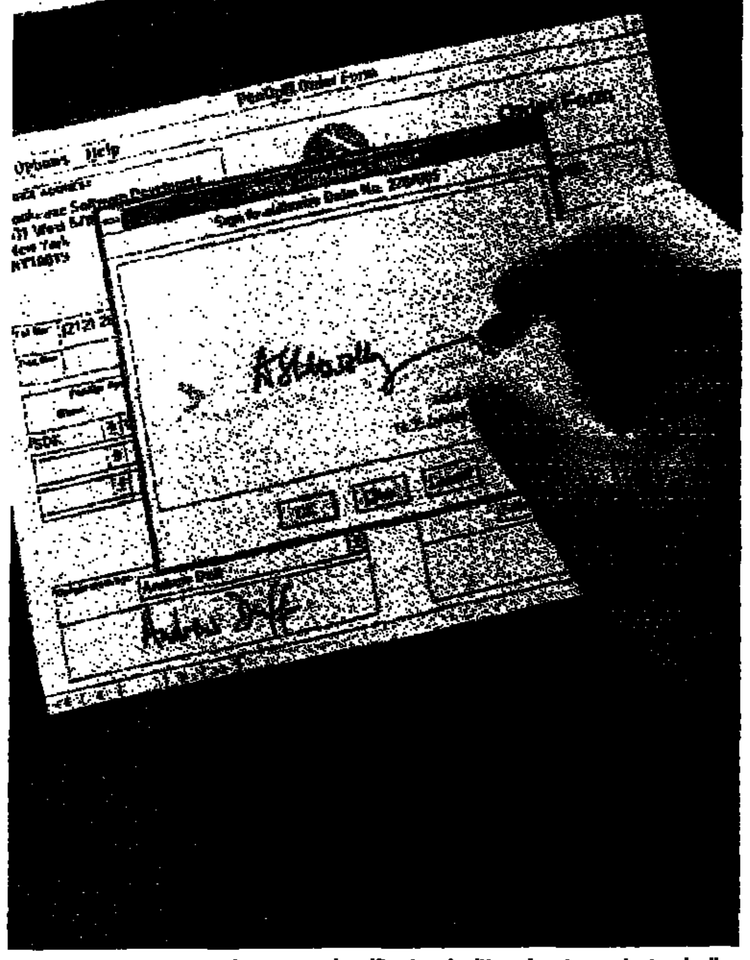
Proof also needs to be obtained about who sent the information. For instance, if the London publisher sends an electronic message to the owner of the New York bookstore chain offering to buy it, how does the owner know the message is authentic?

In this case, the door swings the other way. The London publisher sends an E-mail encoded with the private key and the New York owner uses the publisher's public key to decode the message. The publisher's public key will only open messages encrypted with his private key, so the New York owner can be certain who the sender is. Authentication takes place when the public and private key match, and together these comprise a "digital signature".

The technology will play an important role in electronic commerce because "digital signatures make messages self-validating", according to Kurt Stammberger, technology marketing manager at US-based RSA Data Security, one of the recognised leaders in public-key cryptography.

Others seem to agree. RSA has some big names on its client list – Apple Computer, Microsoft, Motorola, Visa International and MasterCard International. Also, International Business Machines and RSA are working together to produce easily accessible cryptography for their customers. One of their goals is to make the Internet a safe place to carry out electronic commerce.

Personal digital signature codes may be a little complicated or even intimidating for ordinary consumers, who may feel that public-key cryptography is forcing them to change their habits to suit a new technology.



PenOp's system 'captures', stores and verifies handwritten signatures electronically

For this reason, a different approach is being taken by Peripheral Vision of the UK. Its PenOp software package "captures", stores and verifies handwritten signatures electronically. Managing director Jeremy Newman says this approach is "not asking people to change their customs and practices".

By using a digitising pen attached to a computer, a "biometric token" of a person's signature – its dynamics, speed of writing and stroke order – is recorded as he or she writes on to the screen.

The information goes into a database as a record of someone's signing behaviour but as Newman notes "we don't actually retain the means to recreate the original signature". So there is no honeypot of signatures in the database to attract a computer hacker.

Other features support verification in the data packet. Among them, the identity of the signatory, time and date of signing, and a "check-sum" of the transaction that was signed to detect if any attempt were made to alter the document. Check-sums are computations to show two sets of data are identical.

With this software, for example, a customer could read a loan application on a computer screen and approve it by inscribing his or her signature on to the screen, using the pen. The signature would then be matched with an original biometric token held on file, and the process would be both convenient for customers and reduce paperwork.

Ultimately, both types of system could make their mark in the world of electronic commerce, as they would serve different markets. But two big issues remain unresolved.

First, it is not yet clear how electronic signatures will be accommodated in law. The US state of Utah recently showed the way with legislation aimed at giving the public-key technique credibility. In a global economy, however, the aim would be to have international uniformity involving as many jurisdictions as possible, which may be hard to achieve.

Second, an important element in "securing" an electronic signature for cyberspace will be public acceptability. And that may be one of the toughest encrypted messages to get across.

Airbelts may be the next solution for protecting car drivers and passengers, says **John Griffiths**

# An inflated approach to vehicle safety

**After the seatbelt and the airbag, could the airbelt be the next solution for protecting car drivers or passengers in collisions?**

**A small UK company, Advanced Research Corporation, thinks it could; it has taken out patents and claims to be talking to two carmakers after developing a prototype.**

**As its name suggests the airbelt concept, which ARC director Riccardo Anzil says was inspired by students at Sussex University, incorporates the airbag principle into that of the seat belt. In an impact the belt inflates to protect the occupant.**

**ARC claims the airbelt's advantage over conventional seatbelts is that it can absorb much greater impacts than ordinary belts and, because the impact loads are spread over a surface area at least 400 per cent greater than a normal belt, avoids the injuries which a seatbelt can inflict in a severe crash.**

**The benefits of such load-spreading are already well known in the motor racing world, where the straps of current safety harnesses typically are at least 50 per cent wider than road-going vehicle belts.**

**It is claimed the airbelt serves a similar function to the airbag, protecting the occupant from hitting the steering wheel assembly and protecting a large part of the body – although not the head – from flying debris.**

**When applied to rear seat passengers there is a particular advantage to such a system. The airbelts perform a similar function to airbags, without requiring an airbag to be installed in the back of the front seats which could further injure a front seat occupant.**

**ARC, which says it has experimented with 70 different configurations, also maintains that airbelts could be made more comfortable to wear than conventionally shaped belts by rolling them into long, flexible "cylinders" – much like an exceptionally elongated Swiss Roll – and held by weak stitching. When the airbelt inflated these stitches would immediately burst.**

**The belt's inflation would be by similar inert gas-injecting mechanisms to those of the airbag. ARC also maintains that inflation would be sufficiently rapid for the belt to begin absorbing impact energy immediately.**

**ARC, based in Brighton, says it is discussing a non-exclusive licensing agreement with the two carmakers, which it will not name, and is looking for similar arrangements with other vehicle or components producers.**

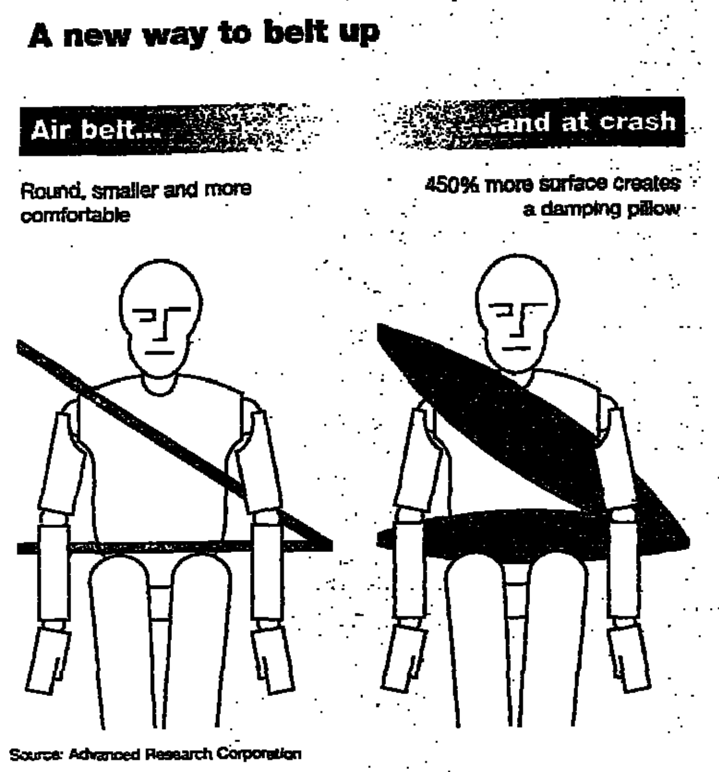
**Meanwhile airbags are becoming both more efficient and more environmentally friendly. General Motors' Opel/Vauxhall subsidiary has introduced, on both its Vectra and Omega models, airbags which dispense with pyrotechnic inflators producing toxic gas and requiring a relatively heavy, single-use airbag.**

**The GM system, developed by New Jersey-based AlliedSignal, uses a non-toxic propellant called arcite, which is fired by electronic impulse and which beats compressed inert argon to inflate the airbag.**

**Since the system produces relatively little heat, only nylon mesh is needed for the airbag. This is easily recyclable and, because when folded it takes up much less space than a conventional airbag, the overall size of the steering wheel airbag assembly can be made much smaller.**

**The latter aspect is of considerable importance for vehicle manufacturers. It was only in the late 1980s that cars began incorporating radio and cruise control switches into the steering wheel, fingertip functions which met with warm enthusiasm from most drivers.**

**The advent of the airbag meant that, for many cars, such functions were once again exiled to elsewhere on the dashboard. The GM/AlliedSignal airbag system has allowed their return.**




Source: Advanced Research Corporation

## INTERNATIONAL PEOPLE

# Bijur takes Texaco chair

Texaco's Peter Bijur has proved yet again that a spell in London is often a signal that a US executive is being groomed for great things. Bijur, 53, pictured above, was chairman of London-based Texaco less than five years ago. In July he takes over as chairman and chief executive of Texaco, one of the world's biggest oil companies.

Texaco's decision to pick Bijur, who oversees Texaco's business in Europe, Latin America/West Africa, Middle East/Far East, is a return to its old style of combining the role of chairman and chief executive. When John K McKinley retired at the end of 1986, Texaco split the job in two giving Alfred De Crane the chairmanship and making James Kinnear, chief executive. At the time the company was in serious legal and financial trouble and vulnerable to a takeover bid.

Kinnear is credited with restoring Texaco's fortunes and when he retired in April 1993, DeCrane inherited the chief executive's job. Bijur, who had once been McKinley's personal assistant, started in Texaco's marketing department as did Kinnear. *William Hall*

## Havas change

Euro RSCG Worldwide, Europe's largest communication group, changed more than its name last week. The group, now to be known as Havas Advertising - after the Havas group which holds a 38.8 per cent stake - also revealed a huge reorganisation. The restructuring follows last November's departure of Jean-Michel Goudard, head of international operations, for BBDO, a rival agency.

The company is being split into four. The biggest division – advertising agency Euro RSCG – will be headed by Alain Cayzac, formerly head of French operations. He also takes responsibility for North America. Under him will be Nick Baum, head of Europe, Pierre Lécosse, head of Asia, and Eduardo Plana, head of Latin America.

The Campus division comprises a rival European advertising network which includes WCRS of the UK and Rempem & Partner of Germany. The UK's Robin Wright is chairman and Germany's Thomas Rempem will be chief executive. The media buying arm will be headed by Didier Comet Dâage former chairman of Saatchi & Saatchi in France. Jacques Hérail, who remains Havas Advertising's chief financial officer, will head the diversified agencies division.
*Paul Abrahams*

## ING's Mexican loss

ING's takeover of Barings last year has produced delayed shockwaves in the New World, where Tim Heyman, Mexico's best-known investment banker, has resigned as chairman of the group's Mexican operations.

Heyman, a Briton who arrived in Mexico almost 20 years ago, built up one of Baring's leading emerging market teams from scratch.

His departure deprives ING Barings of a well-connected figurehead, although ING's $100m investment in Mexico, with new corporate and investment banking divisions, will ensure that important doors remain open to them.

Heyman has not joined a rival outfit, and he has not taken Baring's top Mexico analysts with him. But with foreign interest in Mexico again on the rise, he is not likely to be out of work for long.

## Peugeot's new driver

The jostling to replace Jacques Calvet as chairman of Peugeot Citroën has intensified with the announcement that Jean-Martin Folz has become chief executive of Peugeot cars. The promotion means he is one of four executives who report directly to Calvet. Folz, 48, joined Peugeot Citroën last July from Eridania Beghin-Say where he was chief executive. Calvet, who will be 65 in September, is scheduled to leave in April 1997. Folz is now well positioned to take over. His main rival remains Jean-Yves Helmer who is director of the automotive division for the main group. *Paul Abrahams*

## Research chief in Moscow

Dirk Damrau, one of the leading research analysts for central and eastern Europe, has been recruited by the Moscow-based Renaissance Capital Group to head its research operations. Damrau was formerly director of regional research at Salomon Brothers in London.

The 32-year-old Damrau concedes it will be a tough job persuading foreign investors to take an interest in Russian equities just after the sacking of Anatoly Chubais, the country's leading economic reformer, and five months before unpredictable presidential elections. "But the fixed income market is fabulous right now," says Damrau.

Renaissance was formed last year by Boris Jordan and Steven Jennings after they quit the Moscow office of CS First Boston to found their own investment bank. Renaissance's staff now exceeds 100. *John Thornhill*

## Goldin returns

After a prolonged courtship by the South African government, Dr Ian Goldin, 40, a senior economist at the European Bank for Reconstruction and Development in London, is returning home to be chief executive of the Johannesburg-based Development Bank of Southern Africa.

A former loan manager at the World Bank, Goldin's experience lies in managing development projects for countries which are in periods of transition.

His PhD thesis at Oxford was on the damaging effects of apartheid labour practice on economic development in the Western Cape region.

Goldin has been at the EBRD for nine months and has specialised in development projects for the former communist bloc countries. He replaces Nick Christodoulou, who has been acting chief executive. *Mark Ashurst*

## ON THE MOVE

■ Philippe Le Goff, former chief executive of Sanofi Inc, the US holding company of the international healthcare group, Sanofi, has been appointed head of strategy and pharma policy at CIBA PHARMACEUTICALS, from March 1. He began his career with Ciba in 1976 and joined Sanofi's research division in 1981.

■ Philip Wroughton retires as vice chairman of *MARSH & MCLENNAN COMPANIES* at the end of June. Richard Blum, chairman and chief executive of Guy Carpenter & Co, moves to the parent company to lead the integration of its insurance broking, reinsurance intermediary, risk management and insurance program management capabilities. Brandon Sweitzer takes over as chief executive of Guy Carpenter and Hady Wakefield moves up from president of Guy Carpenter to chairman. Wakefield succeeds Wroughton as chairman of The Bowring Group.

■ ROBERT BOSCH, the German engineering group, has emphasised its increasing international scope by appointing Robert Oswald, 54, president and chief operating officer of Robert Bosch Corporation of Illinois, as an associate member of the board of management. Hermann Eisele and Hansjoerg Manger will retire from the management board having reached 60. Hans Hugendubel, president of Robert Bosch (Australia) and Gotthard Romberg, former president of the Austrian subsidiary, also become associate members of the board of management of Robert Bosch. The appointments take effect July 1.

■ Leon Kalvaria, 37, a former managing director of First Boston, has been appointed a managing director and head of fixed income origination and capital markets at SCHRODER WERTHEIM & CO.■ Francis P. Avanzi, 43, has become chief operating officer of ARIANESPACE, the European space transportation company. He joined the company in November 1995. Since 1992 Avanzi has been chairman of CFM International, a joint venture between SNECMA and GEAE (General Electric Aircraft Engine).

■ Guido Belli, 40, has been appointed managing director of NATWEST VENTURES ITALIA SpA. He was previously with SOPAF, one of the leading Italian investors in unquoted equities, from 1987 to 1995.

■ Jane Siebels-Kilnes, currently senior vice president at Templeton, joins CASPIAN ASSET MANAGEMENT as chief investment officer. She will be based in Nassau, *Bahamas*, although she will be regularly in New York.

■ Helge Eklund, 51, succeeds Bo S. Hedström as chief executive of SODRA, one of the world's largest producers of paper pulp. Eklund has been managing director of the subsidiary Södra Cell since 1986.

■ Michael J. Boskin, former chairman of the Council of Economic Advisors, has joined the board of EXXON CORPORATION.

■ Steven J. Baumgartner, 44, has been appointed president of R. R. DONNELLEY & SONS' newly formed global commercial print sector, with responsibility for the company's commercial printing operations outside North America. He joined in 1993 from Rhone-Poulenc Rorer in Paris.

■ Gunn Waersted, 40, head of Den Norske Bank's investment management division, *appointed president of* VITAL FORSIKRING. ■ John K. Wulff, controller of UNION CARBIDE CORPORATION, succeeds Gilbert E. Playford as chief financial officer. Playford has decided to pursue his private business interests. Prior to joining Union Carbide in 1987, Wulff was a partner in KPMG Peat Marwick.

■ E. Patrick Galvin has replaced Patrick D. McGuckian as a non-executive director of GREENCORE GROUP. Galvin is a director of *Waterford* Wedgwood.

■ Fergus Sheridan has replaced Michael Whelan as managing director of the IRISH FUTURES AND OPTIONS EXCHANGE. Whelan is joining CSK - Quay Financial Software. Ronan O'Donoghue, of Bank of Ireland Asset Managers, becomes chairman of the exchange.

■ Michael Barz, a Frankfurt lawyer succeeds Guenther Krause as a supervisory board member at IG FARBENINDUSTRIE.

■ Following her decision to move to the UK, Baroness Dunn steps down as a director and non-executive deputy chairman of THE HONGKONG *AND SHANGHAI BANKING* CORPORATION. Helmut Sohmen succeeds her as non-executive deputy chairman. She remains non-executive deputy chairman of HSBC Holdings. Sir Joseph Hotung will retire from the board of Hongkong Bank on 18 March 1996 having reached the age of 65.

■ Dipak Rastogi replaces Alvaro de Souza as head of CITICORP's cross border finance group. Rastogi has *been head of global* derivatives.

■ Vinay Bhargava replaces Thomas Allen as THE WORLD BANK'S resident representative in the Philippines. Bhargava has been with the bank since 1975, covering Europe, Middle East and Western Africa.

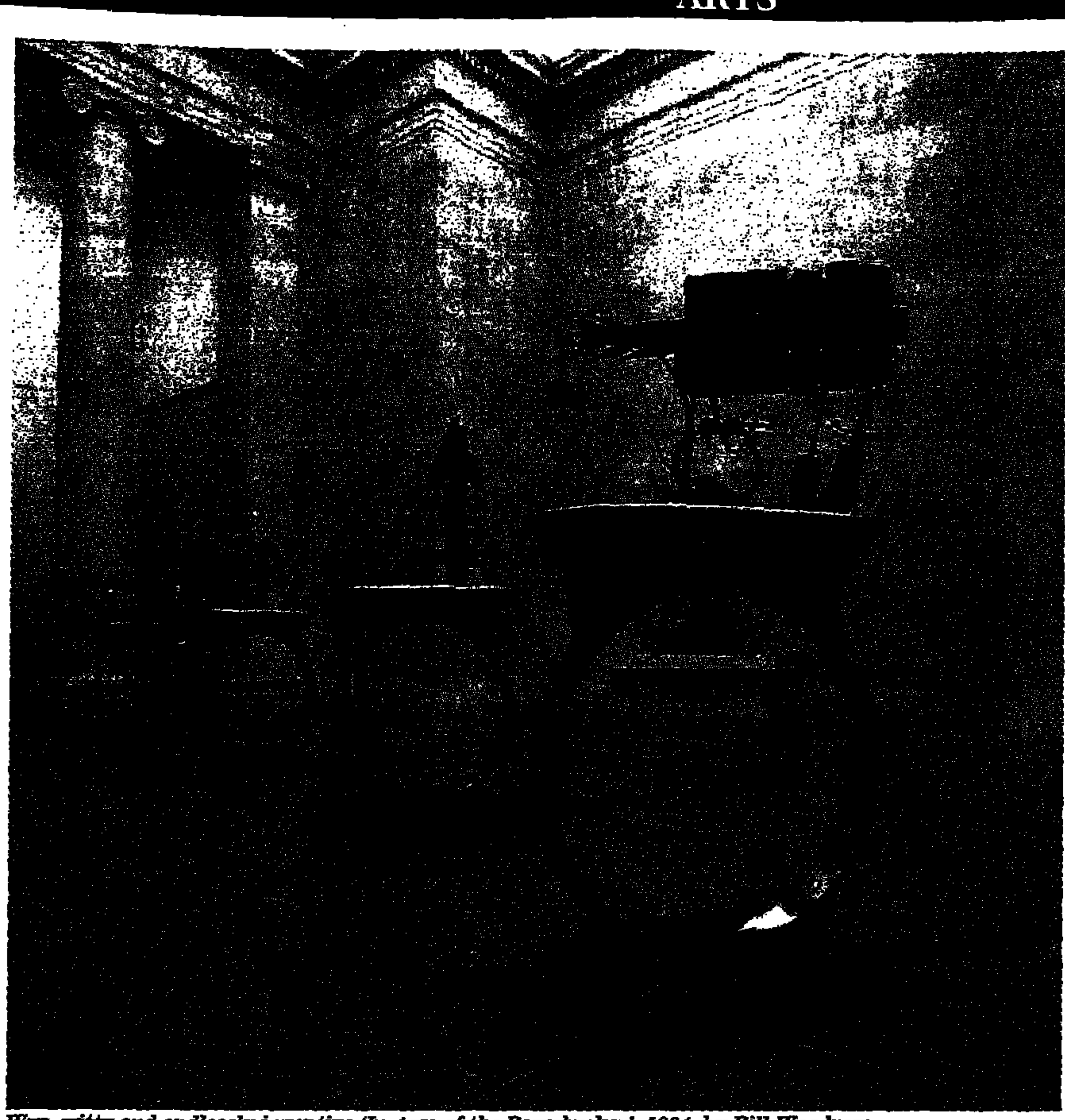
■ Tessen von Heydebreck, a deputy board member with responsibility for asset management, has been appointed a management board member of DEUTSCHE BANK.

■ Serge Grzybowski, deputy managing director of BANQUE LA HENIN, has been promoted to managing director. Marie-Denise Ponchet *replaces* him as deputy managing director.

■ Hans Ulrich Maerki is stepping down as head of the management board of IBM SCHWEIZ to become international head of IBM services in Paris. He will be replaced by Ernst Koller in Switzerland, currently head of marketing.

■ Bernhard Sinz becomes managing director of DEUTSCHE CARGILL GmbH on 1 *June* 1996. He is responsible for the agricultural division in Germany and succeeds Willem Mock, who becomes president of Cargill BV of Amsterdam, taking over from Rudolf Hoeffelmann, who *retires on* the same date.

■ Jennifer L. Miller, 40, appointed general counsel of S. D. WARREN, which was acquired by South Africa's Sappi in 1994. She was general counsel of the Boston Gas Company.



Wry, witty and endlessly inventive: 'In Awe of the Pawnbroker', 1994, by Bill Woodrow

# Sculptural treasure

**William Packer** admires Bill Woodrow's work at the Tate Gallery

The *Fool's Gold* of the title to Bill Woodrow's ambitious and admirable exhibition at the Tate is, so Brewer tells us, a name given to iron pyrites or pyrite. By its brassy yellow colour it is sometimes mistaken for gold and in that fond belief, poor Martin Frobisher, the Elizabethan adventurer, crossed the Atlantic several times in hope of riches. Quite what ironical association – I assume it be ironical – is intended in its attachment to a show of recent sculpture, is not so clear. Is it perhaps the true artist's gift of transforming base material into real aesthetic treasure that Woodrow has in mind? Or is it, rather, a hint at a pre-emptive and quite unironical acceptance of the inevitability of failure and disappointment?

It is perhaps a bit of both. Most certainly the show is a brave undertaking. Since Nicholas Serota, at the outset of his directorship, opened up the long central vista of the Tate's Duveen Galleries, and returned them to the sculpture for which they were designed, only a handful of artists have been asked to fill them in their entirety, and it remains a real honour. It is also clearly a most daunting commission, which often brings its artists out in a sort of sweat of theatrical desperation – a towering centre-piece here, a spreading installation there – to fill the space.

Woodrow is no exception, and while his gleaming spire in the rotunda, "God Knows", is something of a *tour de force*, with its extravagant sprouting fronds and wonky cockerel at its crest, and his huge and improbable cannon, "Endeavour (Dredged from the First Wreck of the Ship of Fools)", suitably commands the entrance hall, there is a sense of things elsewhere being a little over-stretched. Is it a question of the artist trying too hard? Perhaps. Of being over elaborate, over literary or symbolic? Again, perhaps. Of being out of his depth? Certainly not.

The large combination work that occupies the greater part of the farther gallery, "In Awe of the Pawnbroker", is a case in point. More a tableau than a coherent piece of sculpture, it consists of five enormous rings, with cushions as their bases for stability, that act as plinths for the jewels and settings, as it were, that they support on their faces. These last, in fact, are eccentric sculptural compositions, like abstracted and surreal still-lifes. And these five rings with all their garnishings are tethered to a long and heavy chain, which itself is tied off around a pillar of the gallery. All but the chain is cast in bronze.

What we are left with, at the end of it all, is a whole that seems rather less than the sum of its parts. In its detail it shows us Woodrow at his very best, wry and witty, endlessly inventive. The formal games and tricks of association that these still-life or "jewel" components play – of mass and space, stasis and movement, representation and abstraction – are in themselves as intriguing as they are delightful. Even the larger entity of cushion and ring as occasional table, with variations worked through each of the five elements, works well enough, albeit in a more obviously surreal way. It is only the final linking together that takes it that step too far, onto the stage and dangerously close to bathos.

*So much for the doubts, and even in the* doubtful example Woodrow's qualities as a sculptor come through. What is of particular interest, made clear throughout, is the relationship of this present with earlier work. It is an old theme that, for all the apparent differences of the moment, of which even the artist might be unaware, the life's work in time will come back to itself. Whatever else changes, essential interest and sensibility remain the same. Here indeed we come to realise that Woodrow's work, early and late, is all of a piece.

He first made his name neither as modeller nor assembler, but as a scavenger and an improvisor, cutting and bending fantastical images out of the guts of domestic machinery, just as a child might contrive a duck or hat out of a sheet of paper. Such sleight of hand imparts its own disciplines and mysteries, and the freedoms too that follow from them. What is fascinating and exciting now is to see Woodrow as he returns not to the actual mechanics of those past improvisations, but to the spirit of invention and intuitive composition that informed them.

It is a spirit we catch in those exuberant ring-top still-lifes, though the fork or bowl, fruit or twig, fruit or bowl that springs from the composition is no longer folded metal, but modelled in clay, stuck on somehow and cast in bronze. It is intimate and lively work, self-mocking and direct. At last we realise that such intimacy and exuberance are indeed the proper qualities of the monumental sculptor. Visitors to the great Cézanne exhibition from next week-end are sure to pass through Woodrow's show. They have only to mind their step to be rewarded.

*Fool's Gold – new and recent sculpture by Bill Woodrow: The Tate Gallery, London, SW1 until April 28; then to Darmstadt in the autumn. Sponsored by Romulus Construction.*

Concerts/**Stephen Pettitt**

# Uncomfortable chemistry

*Great Orchestras of the World*, claims the publicity promoting the Barbican's season of visiting orchestras. And the Orchestre de Paris should still be one of them, given its distinguished, if short, history. It was formed by Charles Munch in 1967, to replace the old Orchestra of the Paris Conservatoire. Munch was succeeded as music director by Karajan, Solti and Barenboim, no less. But since 1989 Semyon Bychkov has been in charge, and the Russian cannot hold a candle to his predecessors in terms either of raw inspiration or of careful preparation. Or so it seemed in the two disappointing concerts that the orchestra gave last week.

In the first, with the help of the London Symphony Chorus in its usual magnificent voice and of the excellent singers, Elizabeth Norberg-Schulz and Jard van Nes, they boldly tackled Mahler's Second Symphony, the "Resurrection". French orchestras are not renowned for their Mahler – a fundamental dichotomy of spirits – and Bychkov added to the already uncomfortable chemistry by sometimes trying to make the whole work sound a bit too much like Tchaikovsky, at any rate when the orchestra managed to play together.

There was too much plain flamboyance, lacking the sense of irony which should maintain the music's sinister element in, for instance, the Scherzo third movement, and the reading lacked a certain vital poise when the "Urlicht" movement began – not at all the fault of van Nes, whose gloriously golden voice fully matched the sustained eloquence of this raptly transcendent music. But the finale duly thrilled and inspired; even in the clumsiest of hands this momentous paean of hope and faith cannot fail to do those things.

The following evening boldly began with a new piece, Gilbert Amy's *Trois Scènes pour Orchestre*, which had its world premiere in Paris the week before. Amy is a reliable composer, solid in technique, eclectic in influence, whose music has an attractive surface. But during these three dour, over-long movements, described in the programme as "a symphony with no development", one looked in vain for a glimmer of real fantasy, a hint of light, a reason for the music's being.

A distinctly shoddy reading of Stravinsky's *The Rite of Spring* followed after the interval. Hearing the work done like this reminded me of the first time I heard a college orchestra attack it, not with the sure-footed relish with which today's students commonly despatch the piece but with a sense of fear that compromised both the primal brutality and, equally, the still underestimated lyricism of the work. Bychkov seemed to have decided not to waste rehearsal time balancing the textures, so denying the music a refinement in that department that would have increased its impact. *The Rite* is a carefully, brilliantly orchestrated work even at its loudest moments.

Fortunately, between these two rather depressing exhibitions there was the excitement of hearing a marvellous violinist at his best. Maxim Vengerov, still only 21, delivered Mendelssohn's Violin Concerto with an ecstatic sense of its beauties, every phrase deliciously, poignantly weighted, and freshly rethought, and with a sound, moreover, to melt the iciest of souls. Bychkov and the Parisians knew what they had to do in the presence of such a wonderful musician, and to their credit they did it well. They enjoyed the two shamelessly exhibitionistic, sentimental and brilliant encores (orchestrated versions of Kreisler's Piece Viennois and Piece Chinois, I am told) as much as we and, patently, Vengerov himself did.

Theatre/**Sarah Hemming**

# Somewhere between Beckett and early Bond

The Gate Theatre in Notting Hill has specialised in resurrecting European classics, offering fresh perspectives on the Europe of the past by staging hitherto neglected plays. This spring, however, the theatre expands its vision to include the present and the future. The "Gate Biennale" is a season of six contemporary European plays all written by young playwrights within the last three years. Plays come from Sweden, Russia, Germany, Austria and Spain, with one interesting addition from the UK: a play by Gregory Motton, who is British but better known abroad.

To judge by the first double bill, Gregory Motton's *Cat and Mouse (Sheep)* and Elfriede Jelinek's *Services, or they all do it* (from Austria), European theatre is in a state of despair. Both plays are savage, bleakly funny and acidly satirical about contemporary western society, both use language fantastically, as if it were a weapon against the tedium of reality, both reveal an original mind at work. And yet the experience of watching them is depressing, rather than invigorating.

In tone, Motton's *Cat and Mouse (Sheep)* comes in somewhere between Beckett and early Bond. It begins with what appears to be a slice of naturalism: we are in a run-down living room that seems to double as a corner shop, where the shopkeeper, Gengis, serves an old lady and talks of price wars to a battered old individual he refers to as uncle. Only the stilted delivery of the dialogue warns you that realism is not intended.

Then, suddenly, the play shifts gear and we are in a fantastical, nightmare world, where *Gengis* (played, *mystifyingly*, by a female actress) is running the country from this grubby room, with all the destructive zeal of a tinpot dictator. As a children's game reflects the world they live in, *so this sustained fantasy allows a* bitter tour around the debris of Great Britain and adds up to a sour portrait of corrupt and hypocritical authority.

It is a cleverly constructed, deliberately ugly piece, fired by anger, and yet there is something so unremittingly grim and self-consciously shocking about it that, far from igniting a spark of sympathy, it simply wears you into boredom.

When a play less than 90 minutes long feels like a sermon, some essential valve is missing. The same is true of *Services*, although this time the subject is the hopeless mutual incomprehension of the sexes and the ugliness of pornography. In Elfriede Jelinek's play (translated by Nick Grindell) we are in a bleak service station which, along with the tasteless food, seems to specialise in tasteless liaisons.

Here two bored suburban housewives have arranged to meet two anonymous men, disguised as "Moose" and "Bear", for some rough sex in the toilets while their pompous, chauvinistic husbands wait in the burger bar. But a chance meeting between the four men leads to the husbands taking on the animal disguises and trying to service their wives like beasts, to *the disillusionment and disgust of every-one concerned.*

Jelinek, like Motton, specialises in a sort of viciously poetic, dense dialogue that matches the bleak world she describes. The trouble is that after a while you cannot be bothered to care about her characters or her theories.

Both plays are adventurous in style, yet they manage to depress, without revealing anything new. You leave the theatre feeling as if you have been closeted for three *hours with a ranting, apocalyptic dinner* guest.

**Both plays continue at the Gate Theatre, London W11 to February 23 (0171-229 0706/5387).**

Opera/**Richard Fairman**

# Big-scale Bohème

If nothing else, it was an occasion. A total of around 45,000 people have bought tickets for the nine performances. There were more bow-ties at the gala premiere, in aid of the British Lung Foundation, than at Covent Garden; and the Princess of Wales glittered in the royal box, while her admirers with their zoom-lenses waited outside.

The opening night of *La Bohème* at the Royal Albert Hall was where everybody but an opera-lover wanted to be. It came as the climax of a week in which opera was in the headlines almost every day, from the disastrous fire at La Fenice in Venice to the official confirmation that the Royal Opera has abandoned plans for its temporary move to a new theatre on the South Bank. Meanwhile, the television documentary series on the Royal Opera House continues to pull in the viewers.

One thing is clear: whether it is BBC2 or *The Sun*, opera has become news. People want to know what is going on in the world of opera and will have an opinion on it themselves, even if they have never been inside an opera-house. This is where the Royal Albert Hall *comes in. In collaboration* with Raymond Gubbay, commercial presenter of popular concerts, the hall has decided that there is an untapped audience for opera and taken the plunge with its first ever production.

The fact that extra dates had to be added when the advertised performances of *La Bohème* sold out within weeks suggests that the management is right. As I see it, the Royal Albert Hall starts with a simple advantage in this market, which is that it is not an opera-house. The many thousands of people who visit each year for the Proms, touring circuses or tennis matches do not see anything elitist or intimidating about going there.

*How else to explain* why so many people should choose to attend a production which was in so many ways unsatisfactory? An early warning came with the muffled rendering of the National Anthem from behind part of the set. Fortunately, the mock-Parisian house soon flew up into the roof, but too many other hindrances – the wide-open acoustic and clumsy amplification – remained for this ever to be Puccini's evening. The first two acts sounded a jumbled mess, however hard the conductor, James Lockhart, tried to hold orchestra and singers together.

The microphones did funny things. Mimì's delicate cough became a massive, gut-wrenching choke, but parts of the orchestra regularly disappeared. In general, the women fared better, Katerina Kudriavchenko putting across some touching phrases in Mimì's solos and Vivian Tierney giving Musetta a bit of sparkle. The amplification beefed up José Azocar's Italianate tenor to sound like the real thing, but failed to boost his star appeal. William Dazeley's young, but lightweight Marcello, Tómas Tómasson's sympathetic Colline and Howard Quilla Croft's neat Schaunard only ever seemed a small-scale *set of Bohemians.*

As there is no stage, the production was given in the round with the stalls seats removed. By and large it was a stilted affair, which spent most of its energy painting a picture of 19th-century Paris (lots of period fashions on the boulevard *and a seller of French flags to remind us* which country we were in) and rather too little getting the characters to come alive. Michael Hunt was the producer and Alison Nalder the designer, whose main challenge was to keep the set from getting in the way.

Those in the front few rows do enjoy a bonus when the snow falls on them as well. Otherwise, there is little on offer here that cannot be found more successfully elsewhere. Although it is dubbed opera for the masses, the prices at the Royal Albert Hall (£13.50 to £37.50) are not that different from what one would pay at English National Opera, where the audience can hear and see a good deal more of what is going on.

Widening the audience for opera is a crucial objective and I wish Gubbay and the Royal Albert Hall every success for their 1997 production, which is already at the planning stage. But the masses who have enjoyed this *La Bohème* should get *straight on the tube to the London Coliseum* to see what good-quality opera at reasonable prices is really like.

**Sponsored by American Express. Further performances until *February 10*.**

# INTERNATIONAL ARTS GUIDE

## AMSTERDAM

**CONCERT**
**Concertgebouw**
Tel: 31-20-5730573
● Residentie Orkest: with *conductor Oliver Knussen* and cellist Anssi Karttunen perform Debussy's Berceuse héroique, Dutilleux's Tout un monde lointain and Lutoslawski's Symphony No.2; 3pm; Feb 10

## BALTIMORE

**EXHIBITION**
***Baltimore Museum of Art***
Tel: 1-410-396-6310
● *Dorothea Lange: A Retrospective:* Dorothea Lange (1895-1965) is best known for her Depression-era photographs. Yet she worked from the 1920s to the early 1960s and embraced a variety of subjects, from her own family to life in foreign lands; from Feb 7 to Mar 31

## BERLIN

**CONCERT**
**Konzerthaus**
Tel: 49-30-203092100/01
● Wiener Philharmoniker: with conductor Riccardo Muti perform Mozart's Symphony No.38 (Prague), Symphony No.25 and Symphony No.39; 4pm; Feb *10*
**Staatsoper unter den Linden**
Tel: 49-30-2082861
● Roman Trekel: accompanied by pianist Helmut Oertel. The baritone performs songs by *Schoeck*, R. Schumann and Duparc; 8pm; Feb 9
**DANCE**
**Deutsche Oper Berlin**
Tel: 49-30-3438401
● Ballett Deutsche Oper Berlin: perform the choreographies Duende by Nacho Duato to music by *Claude* Debussy, Voluntaries by Glen Tetley *to music by Poulenc*, and Petruschka by Harris Mandafounis *to music* by Stravinsky; 8pm; Feb 8, 11 (7pm)

## CLEVELAND

**EXHIBITION**
**Cleveland Museum of Art**
*Tel: 1-216-421-7340*
● Pharaohs: Treasures of Egyptian *Art from the Louvre*: exhibition of 30 works of Egyptian art from the Louvre. All major periods in 3,000 years of Egyptian history are represented in the show, which examines royal images in statues, reliefs, and steles for insights into traditions and innovations *in* Egyptian art. The works range in size from *five-inch statuettes* to life-size portraits; from Feb 11 to Apr 14

## COLOGNE

**OPERA**
**Opernhaus** Tel: *49-221-2218240*
● Der fliegende Holländer: by Wagner. Conducted by John Fiore and performed by the Oper Köln. Soloists include Susan Anthony, Regina Mauel and Ute Döring; 8pm; *Feb 10*

## HAMBURG

**OPERA**
***Hamburgische Staatsoper***
Tel: 49-40-351721
● Le Nozze di Figaro: by Mozart. Conducted by Philippe Auguin and performed by the Hamburg Oper. Soloists include *Natale de Carolis*, Charlotte Margiono, Hellen Kwon *(Feb 7) and Alan Titus; 7pm*; Feb 7, 10

## LEIPZIG

**OPERA**
**Oper Leipzig** Tel: 49-341-1261261
● *Zar und Zimmermann*: by Lortzing. Conducted by Krüger and *performed by the Oper* Leipzig and the Gewandhausorchester. Soloists include Marita Posselt, Jörg Schörner, Jürgen Kurth, Victor Sewaley and Dieter Scholz; 7.30pm; Feb 7

## LONDON

**CONCERT**
**St. John's, Smith Square**
Tel: 44-171-2221061
● The Poulenc Trio: perform works by Mozart, Bush, Lane, Agnel and Poulenc; 1pm; Feb 8
**Wigmore Hall** Tel: 44-171-9352141
● Leslie Howard: *the pianist* performs works by Beethoven and *Liszt*; 7.30pm; Feb 8
**EXHIBITION**
***Design Museum***
Tel: 44-171-3786055
● Designing Messages: European Stamp Design: the exhibition explores the messages conveyed by stamps and their design strategies, as well as examining lettering and composition, colour, the art of the set, and the production process; to Feb 11
**OPERA**
***London Coliseum***
Tel: 44-171-8360111
● Les Pêcheurs de Perles: by Bizet. Conducted by Michael Lloyd and performed by the English National *Opera. Soloists include John* Hudson and Elizabeth Woollett; 7.30pm; Feb 7, 9, 13
**Royal Opera House - Covent Garden** Tel: 44-171-2129234
● The Midsummer Marriage: by Tippett. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Cheryl *Barker, Lillian Watson* and Eiddwen Harrhy; 7pm; Feb 8, 12

## LYON

**CONCERT**
**Opéra de Lyon** Tel: 33-72 00 45 45
● Orchestre de *l'Opéra de Lyon:* with conductor Kent Nagano *perform Takemitsu's Family Tree* and Berlioz's Symphonie *fantastique*; 8.30pm; Feb 8

## MONTE CARLO

**OPERA**
**Opéra de Monte Carlo**
Tel: 33-93 50 69 31
● *Le Nozze di Figaro: by Mozart.* Conducted by Armin Jordan and *performed* by the Opéra de Monte-Carlo. Soloists include Russell Braun, Adrianne Pieczonka and Giovanni Furlanetto; 8.30pm; Feb 9, 11 (3pm), 13

## MUNICH

**DANCE**
**Nationaltheater**
Tel: 49-89-21851920
● Taming of the Shrew: a choreography by John Cranko to *music by Scarlatti/Stolze, performed* by the Bayerisches Staatsballett; 7.30pm; Feb 7, 9

## NEW YORK

**CONCERT**
**Alice Tully Hall**
Tel: 1-212-875-5050
● Steve Reich and Musicians: with the Theatre of Voices and *director* Paul Hillier perform works by Reich and Marimbas; 8pm; Feb *10*
**JAZZ & BLUES**
**Carnegie Hall** Tel: 1-212-247-7800
● The Carnegie Hall Jazz Band: with director Jon Faddis and guest artists Ernestine Anderson, Nenna Freelon, Tess Marsalis and Carol Sloane in a programme highlighting the music and artistry of the jazz vocalists *Ella Fitzgerald, Billie* Holiday, Sarah Vaughan and Carmen McRae; 8pm; Feb 8
**OPERA**
**Metropolitan Opera House**
Tel: 1-212-362-6000
● Falstaff: by Verdi. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Heidi Grant Murphy, Barbara Daniels, Marilyn Horne, Paul Plishka *and Gino Quilico*; 8pm; Feb 7

## PARIS

**CONCERT**
**Maison de Radio France**
Tel: 33-1 42 30 22 22
● Orchestre National de France: with conductor *Ion Marin and pianist* Mikhail Rudy perform works by Prokofiev, Rachmaninov and Shostakovich; 8pm; Feb 8

## ROTTERDAM

**CONCERT**
**De Doelen** Tel: 31-10-2171700
● Rotterdams Philharmonisch Orkest: with conductor Gennadi Rozdjestvenski and the Koninklijk *Mannenkoor 'Die Haghesanghers'* perform Gorecki's Symphony No.3 and work by Martinu; 8.15pm; Feb 8, 9, 11 (2.15pm)

## STOCKHOLM

***OPERA***
**Kungliga Teatern - Royal Swedish Opera House** Tel: 46-8-7914300
● Madama Butterfly: by Puccini. Conducted by Muhai Tang (Feb 7) and Niklas Willén (Feb 13), and performed by the Royal Opera Stockholm; 7.30pm; Feb 7, 13

## VIENNA

**CONCERT**
**Konzerthaus** Tel: 43-1-7121211
● Genoveva: by R. Schumann. Concert performance by the Wiener Symphoniker, the Wiener Jeunesse Chor and the Wiener Motettenchor, conducted by Heinz Holliger; 7.30pm; Feb 7, 8
**OPERA**
***Wiener Staatsoper***
Tel: 43-1-514442960
● L'Elisir d'Amore: by Donizetti. Conducted by Antonello Allemandi and performed by the Wiener Staatsoper; 8pm; Feb 7, 9

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## Martin Wolf

# Emu is still on the cards

**Since Germany and France both still believe in the political and economic advantages of monetary union, they will try to find a way to start in 1999**

Many in the UK view the possible fruition of the European Union's plan for economic and monetary union with horror. At some point, they fear, they will have to make a painful choice. People faced with so dire a prospect are inclined to seize on any possibility that it will not happen. It may, all the same.

At the end of last week, Helmut Kohl, the German chancellor, repeated his view that "if there is no momentum for continued integration, this will not only lead to a standstill but also to retrogression. Nationalism has brought great suffering to our continent," he warned. "Just think of the first 50 years of this century."

Mr Kohl fears that his own country could once again destabilise Europe. Such fears seem quite unbalanced, but the fact that people like Mr Kohl hold them is more important than whether they are justified. For him, Emu is more than an economic arrangement. It is a way-station on the long march to political integration.

If the political motives for Emu remain potent, economic forces are also in its favour.

True, the fiscal prospects look ominous. Given the slowdown in economic growth, the ratios of general government borrowing to gross domestic product of most member states – including France and even Germany – may well remain above the Maastricht treaty's magic number of 3 per cent next year. This is not surprising when they were generally well above it in 1995, as the chart shows.

Furthermore, discretionary fiscal tightening may not help on its own because it would worsen the fiscal outcome, by deflating the economy. Suppose, for example, that the induced short-term decline in GDP were as large as the intended reduction in the fiscal deficit, an outcome suggested by many economic models. Then a discretionary reduction of 1 percentage point of GDP in the fiscal deficit would also lower GDP by 1 per cent. According to the Organisation for Economic Co-operation and Development, that would itself increase the fiscal deficit of larger member countries by half a percentage point. To eliminate an excess deficit of 1 percentage point of GDP, the fiscal tightening would then have to be 2 percentage points.

If that were all, Emu would probably be postponed. But there are also interest rates.

As is noted by the German economist Daniel Gros, in a lucid analysis to be published on Thursday by the Centre for European Policy Studies, a Brussels-based think-tank, fiscal contraction might grant several member countries a credibility bonus.* If, for example, Italy had rates of interest as low as in the hard-currency core, its savings on debt service payments could be 4½ percentage points of GDP, reducing its required fiscal adjustment to a manageable 1 percentage point.

Unfortunately, the credibility benefits of fiscal contraction would be negligible for countries like Austria, Belgium, France or the Netherlands, because their interest rates are already close to Germany's. But they can look to the Bundesbank, instead.

Germany is now in exactly the same leaky economic boat as the remainder of Europe's monetary core: its real exchange rate is overvalued; activity has slowed; unemployment is close to 10 per cent of the labour force and rising; and its inflation and monetary growth are low. Inevitably, the Bundesbank's short-term rates of interest have been declining sharply. Its repurchase rate has fallen by ¼ a percentage point over the last month. Further reductions should be on the way, helped by lower rates in the US and loose monetary policy in Japan.

In addition to the slowdown, two other powerful forces are at work on the Bundesbank: the political commitment to European integration, at least of its president, Hans Tietmeyer; and Germany's own worries about the possible alternative to Emu.

The last thing German industry wants is devaluation by another big European economy, least of all France, Germany's most important single trading partner. That might be no great risk if the narrow-band exchange rate mechanism that fell apart in August 1993 could be made credible once more. But it cannot. Even France might sever its currency links with the D-Mark if the door on Emu were to be shut by too tight a monetary policy and too restrictive an interpretation of the Maastricht treaty. That is not a risk it would make any sense for Germany to run.

As for France, it remains as desirous as ever of Emu. Here too the reasons are both economic and political. On the political front, the French elite remains convinced of the need to co-operate as closely as possible with Germany.

Meanwhile, devaluation is an option the country has no desire to possess. Unfortunately, so long as the option exists it is almost impossible to convince markets it will not be used. A consequence is the need to pay high interest-rate premia whenever markets believe it might want to exercise its devaluation option. This is a price France does not wish to pay, but can cease to do so only by eliminating the option. That is precisely what Emu will achieve.

Given all this, it defies belief that France and Germany would let a recession-induced failure to hit arbitrary deficit figures in a particular year prevent them from starting Emu in 1999. The only good reason for these countries to postpone the project would be the view that other important countries would be able or willing to join just a few years later. But this would be more likely if the core countries were to go ahead, since that move would put formidable pressure on countries like Italy and the UK.

The only question is whether the treaty would allow them to proceed. What it says is that fiscal deficits should be 3 per cent of gross domestic product unless "the excess ... is only exceptional and temporary and the ratio remains close to [3 per cent]". And who will decide whether they are? A qualified majority of member states acting on the recommendation of the Commission is the answer.

If fiscal deficits were far above 3 per cent there would be a problem, not least because of potential opposition within Germany. Problems could then also arise in the EU's voting. Potential outsiders might, for example, threaten to vote against potential insiders, unless they, too, were included. Given the small size of a blocking minority, there is potential for a major row. This would be more probable the less clear cut were the fiscal outcome.

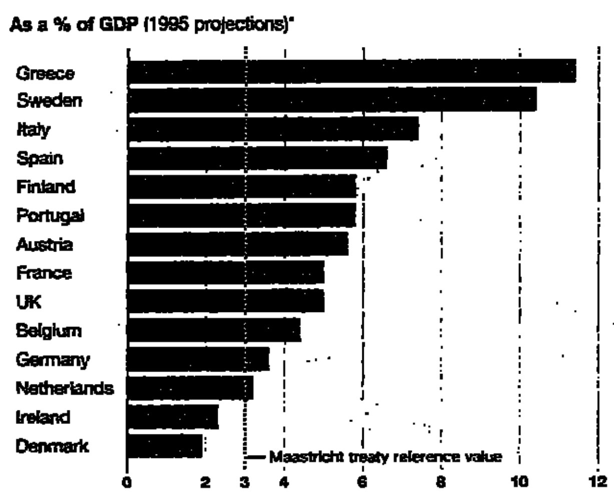
Will these various obstacles be enough to halt the project? Possibly, but probably not. Many in France and Germany consider early Emu a political and economic necessity. It will not be abandoned lightly.

As important a question as whether it will happen is whether it can then be made to work. As Mr Gros warns: "The Maastricht system, including Emu, needs to be accepted as legitimate by political forces and the population." The danger is that it will not be, because it imposes insufficient fiscal discipline for some and too much for others, because it divides the EU into hard core sheep and soft-currency goats and because it might become irredeemably tainted by the EU's chronically high unemployment, even if were not the main explanation.

A failure to start Emu may expose the EU to the retrogression Mr Kohl fears. That is why Emu is likely to happen. But the decision to start would hardly be less risky. The further members are from meeting the fiscal targets at the start, the greater the potential for bitter disputes thereafter. But the EU has no easy way out of its dilemma. It has to choose. In all probability, it will choose Emu.

**Daniel Gros, Towards Economic and Monetary Union: Problems and Prospects. Centre for European Policy Studies Paper Number 65, Brussels, 1996.*

**European government budget deficits**




Source: OECD Economic Outlook

* General government financial deficit

## Technology · Richard Gourlay

# A fine point made without needlework

**Injectors that push drugs through the skin are on the way back**

Whatever happened to the reusable needle-free injectors used to vaccinate children against flu in the 1970s? The answer is that they lost favour as it became apparent that patients might contaminate each other with viruses such as hepatitis B and HIV.

Now two British companies, Weston Medical and Oxford Biosciences, are developing needle-free devices that avoid this problem because they are disposable.

Within two years, Weston Medical believes, the devices could begin replacing some of the 12bn needles used worldwide every year for injections. The company says it could have 15 per cent of a market for disposable needles worth $1bn a year by early next century. Oxford Biosciences estimates the drug markets targeted by its system will be worth more than $4.5bn a year.

Needle-less injection of liquid drugs was invented more than 50 years ago after men working with hydraulic machinery complained their skin was being penetrated by high pressure oil. Early versions, used to vaccinate US troops, relied on developing large pressures behind the drug which forced a hole in the skin.

In the 1960s, it was realised that a similar job could be done with far less pressure if the liquid were struck rather than pushed. The drug, like any fluid, would remain rigid on impact and drive through the skin like a nail.

Although this allowed jet injectors to be smaller and more efficient, the devices to deliver needle-free injections remained big and relatively expensive. Reusable models have been available from two US companies, Mediject of Minneapolis and Bioject of Oregon, and a version is made by a Venezuelan company – though sales have been modest. However, Mediject has recently sold a stake to Becton Dickinson, the US company with 40 per cent of the world disposable syringe and needle market. The two plan to develop a cheaper reusable system.

In their different ways, Weston Medical and Oxford Biosciences are attempting to reduce the manufacturing costs to the point where disposability becomes attractive. The two companies are trying to deliver drugs to the fatty tissues beneath the skin painlessly.

Oxford Biosciences is working with pharmaceutical companies to deliver a powder version of insulin for diabetics, human growth hormone and local anaesthetics. Weston Medical is focusing on delivering vaccines, thrombolytics – to reduce risks of blood clotting – and migraine drugs.

The two companies have very different origins. Weston Medical, in the depths of rural eastern England, was founded by Terry Weston, a mechanical engineer with several successful inventions to his name. On a flight from the US, he happened to sit beside a senior scientist at Akzo Nobel, the Dutch chemicals and drugs company, who was having problems vaccinating pigs.

Weston developed a rechargeable version of the old jet injector designed to provide 1m shots and cost £1,000. But it was only after a local hospital asked whether he could produce a version to deliver insulin that Weston began thinking about a disposable version.

He decided that if he could get the manufacturing costs down, the potential market was big. The first models used springs to deliver the required force. But the latest version replaces the spring with a cylinder loaded with compressed air. This delivers a hammer blow to a plunger in contact with the injectable liquid, once the device is triggered by pressing it against the skin.

Weston estimates that the Intraject can be made at a cost of 12p if 20m devices are made a year. The company is beginning two months of trials to test sterility and "patient acceptability". It will then apply to the European Devices Directorate for approval for the Intraject, a process that could take up to two years.

The principle adopted by Oxford Biosciences is somewhat different. A group of inventors led by Brian Bellhouse, director of Oxford University's medical engineering unit, was injecting genetic material into plant cells when they recognised the application for humans.

Instead of knocking a "liquid nail" through the skin, Oxford Biosciences uses supersonic waves to help blast the powdered formulation of a drug through the skin.

Compressed helium gas is released in a chamber until enough pressure develops to rupture a membrane that encloses the powdered drug. The shock wave formed by this expansion travels down the barrel of the supersonic nozzle, carrying with it the helium which sweeps up the drug particles and crashes them into the skin over an area the size of a small coin. The particles have the mass to penetrate the skin but the lighter helium molecules bounce back up the nozzle.

The company has conducted preclinical trials in five areas and is moving towards approval in two areas – local anaesthetics and human growth hormone. While Weston Medical is working with liquid formulations of drugs that have already received approval, Oxford Biosciences will need new approvals for the powdered formulations of the drugs it will deliver. No one has yet gained approval to inject powdered versions of drugs, the company says.

There are many potential slips before either product reaches the market, not least whether patients are happy to use them. If they are, needle-free syringes could soon become a familiar sight in the world's dispensaries.



# ·LETTERS TO THE EDITOR·

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

## Just ask the question

*From Mr David J. Critchley.*

Sir, Solve the problem of pay for UK MPs by requiring each parliamentary candidate to state on the ballot paper, alongside his party, the salary he would wish to receive if elected. The successful candidate should be paid that salary for the duration of the parliament.

Crazy? The electorate's common sense might surprise everyone.

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**UK**

## Distinctive view of stakeholding

*From Dr S.J. New.*

Sir, Samuel Brittan's critique "The snares of stakeholding" (Economic Viewpoint, February 1) rests largely on a distaste for messy, multiple objectives in decision-making. Perhaps this illustrates a useful distinction between economics and management thinking?

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*From Mr Peter Jamieson.*

Sir, Samuel Brittan's piece "The snares of stakeholding" contained certainly one passage of uncharacteristically sloppy thinking. Management's theoretical responsibility to suppliers, customers and the public at large (as well as to shareholders and to workers) has, he says, "no operational meaning".

Far from it. Obligations to these stakeholders are defined through extensive legislation, covering for example employment, environment, product standards, financial service standards, to mention a few. Management will have internal arrangements, backed by audit committee, to monitor compliance with such corporate responsibilities, and indeed accounting standards require in a number of cases the publication of compliance statements in annual reports. No operational meaning, indeed.

It is self-evident that economic growth is lessened to the extent that stakeholders in the community are not also engaged and motivated as stakeholders in the wealth-creation process. What Tony Blair, the Labour leader, has yet to spell out is how he would set about effecting that engagement.

I know where I would start, but does he?

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## Payment for education based on income an 'off track' idea

*From Ms Patricia Geoghegan.*

Sir, In supporting charging students ("University fees", February 2), you advocate the fine principle that students should contribute toward paying for their education. You go off track, however, in suggesting that a guiding rule should be "post-graduation contributions based on income".

Student loans are a fair way of dealing with the high cost of education and if it is found that students pursuing low-income careers such as teaching should have some of their loans forgiven, so be it. But any suggestion that future paybacks be proportional to income, rather than on a commercial basis of principal and interest, should be avoided in the best interests of universities' long-term ability to raise money from alumni.

While in the infancy stage in Europe, voluntary contributions by alumni to universities are the lifeblood of university support in the US. My experience as a volunteer fundraiser for my law school has convinced me that the best way to discourage prosperous alumni from giving is to adopt a policy of collecting old student loans in proportion to income. A programme along those lines was tried 20 years ago and abandoned. Many of the students who chose it while it was in effect (and are still burdened by it) bitterly resent having to pay back far more than they borrowed. In many cases they do not feel any desire to make voluntary contributions on a level comparable to other alumni in their same income bracket.

Universities that lend money to help students achieve their education and prosperity engender gratitude and future support; universities that become unwanted partners in students' later prosperity incur resentment and reduce the pool of future givers.

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## Flawed convergence criteria behind problem of Emu timetable

*From Mr Brian Reading.*

Sir, Mr Douglas Hurd, in his call for a delay in the Emu start date ("Hold fire on monetary union", January 31), claims that the timetable for monetary union falls at an awkward stage in the economic cycle. But this is no accident of timing, it is the consequence of Maastricht's flawed convergence criteria.

Discretionary cuts in public spending and hikes in taxation reduce structural budget deficits. But fiscal stringency causes growth to slow and unemployment to rise, increasing cyclical budget deficits.

The final result, on the crucial assumption of no change in monetary policy or conditions, is a much smaller fall in the overall (cyclically unadjusted) budget deficit than the original discretionary tightening. In France, for example, measures which cut the structural budget deficit by the equivalent of 1 per cent of gross domestic product, would probably reduce GDP growth by 1.5 per cent causing the cyclical budget deficit to deteriorate by around 0.8 per cent of GDP. The overall deficit (which is the measure used in the Maastricht fiscal criteria) would be reduced by only 0.2 per cent. So to cut 1 per cent off the overall deficit, the French government would have to raise taxes or cut public spending by an impossible 5 per cent of GDP which would knock an intolerable 7.5 per cent off GDP growth.

This is not how things normally work. Fiscal stringency is accompanied by monetary ease which prevents GDP growth from falling so that the cyclical budget deficit does not rise. Unfortunately, Maastricht criteria guarantee that the system cannot work normally. France needs (allowing for the cyclical deterioration likely from slow growth in 1996) to cut its overall budget deficit by 2.5 per cent of GDP between 1995 and 1997 to meet the Maastricht target. Germany needs a smaller cut, only 1 per cent.

Since German monetary policy will only ease by enough to offset the deflationary consequences of its 1 per cent cut, French monetary policy cannot be eased by enough to offset its larger 2.5 per cent cut without blowing the franc out of the ERM. Yet without such easing France cannot possibly make the extra 1.5 per cent of GDP cut.

European governments cannot at any time meet both budgetary criteria and exchange rate stability criteria without wrecking their economies. This is the lesson which should have been learnt from Britain's disastrous ERM membership. The criteria must be revised, only this time by economists and to include growth and employment objectives, without which there will be no Emu.

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COMMENT & ANALYSIS

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# Deregulation but more rules

They call it deregulation. The biggest upheaval in US telecommunications legislation for 62 years, finally agreed on Thursday, is widely predicted to lead to a feeding frenzy of deals as almost every corner of the telecoms industry is opened to competition. Yet the 216-page act puts a huge new burden on the Federal Communications Commission, the telecoms regulator. Many wonder whether that burden, together with the powerful muscle position of incumbents, will mean that competition is slow to grow, and that customers and new entrants will remain frustrated for years.

Although the US has spawned some of the world's most innovative communications technology and services, its regulation has languished. The 1934 Communications Act and the 1982 consent decree which broke up AT&T left local telephone monopolies intact, and maintained an oligopoly in the long-distance market, dominated by AT&T. After a decade of fruitless debate, two factors have provoked change. The ways of providing telephone services have multiplied, while the market's growth has reassured companies that they could gain more than they lost from liberalisation.

Under the new rules, the barrier between local and long-distance markets will fall, giving the local market its first real competition. Cable will also face new entrants, and federal price caps will be lifted. Ironically, while commercial rules will be loosened, regulation of obscene content is being tightened.

So far, so simple. But the act leaves the FCC with tricky decisions. First, it must set out detailed rules by which new entrants in any markets can connect to the incumbents' networks. Although interconnection terms are perhaps the most controversial issue in telecoms regulation worldwide, the rules must be ready within six months.

Second, the FCC has the role of deciding whether local companies have adequately opened their networks to competitors; they must meet this test before entering long-distance markets. The act is also unhelpfully vague in telling the FCC to give "substantial weight" to the Department of Justice's views on this point.

Among other headaches, the FCC must also soon set up a new nationwide universal-service fund, paid for by interstate companies, which will pay for telephone services where commercially unviable. However, the act does not say how much companies must pay in, nor which companies may receive money, or even which services must be available.

Given these unresolved issues, customers may well be disappointed by the initial effects of the new framework. Prices may well rise until competition arrives, particularly in cable, and competition may be slow to come. Local telephone companies are likely to find it harder to enter the long-distance market, given the process of gaining FCC approval, than it is for new rivals to enter the local market. Even in local telephony, analysts warn that vigorous competition may be three to five years away.

Meanwhile, from the perspective of new entrants, returns on the tens of billions of dollars invested will remain low until market power is established. Despite the act's prolonged gestation, it will take years of fine-tuning before its aims are realised.

# Kiev's choice

Sooner rather than later, the west may have to consider how it would view a rapprochement between Russia and Ukraine. The prospect of an improvement in the often tense relations between the two Slavic states was highlighted last week by the visit to Kiev of Mr Yevgeny Primakov, the new Russian foreign minister. He proposed that Moscow and Kiev resolve rapidly some long outstanding business: the division of the Black Sea fleet and the signature of a broad co-operation deal.

He came to Kiev with a mixture of carrots and sticks: calls for a compromise over the fleet, combined with a scolding for Ukrainian politicians who voted against Russia's entry to the Council of Europe. Ukraine's President Leonid Kuchma had earlier secured an agreement in principle that a summit meeting with Mr Boris Yeltsin, postponed at least five times, would take place in April.

Such signs of normalising relations should undoubtedly be welcomed by the outside world. But Russia's motives are not entirely clear. An alarming number of Russian politicians, from all points of the political spectrum, regard Ukrainian independence as a temporary inconvenience. Mr Malcolm Rifkind, the British foreign secretary, rightly described Ukrainian independence last week as vital to the peace and stability of Europe.

While stressing the importance of western ties with Moscow, he warned that a Russian state reincorporating Ukraine would automatically become an empire again.

Whatever transpires between Moscow and Kiev over the coming months, the prospect of any real threat to Ukrainian sovereignty in the foreseeable future looks remote. Mr Primakov stressed that Russia recognises Ukraine's independence; and the toughness of Mr Kuchma in defending Ukrainian interests has impressed most westerners. But Russian-Ukrainian relations are acutely sensitive, and still need watching.

Mr Kuchma's interest in co-operation with as wide a range of partners as possible is not in doubt. It may, therefore, be the western response that determines Ukraine's orientation.

The terms on which the International Monetary Fund assists Ukraine should not be significantly harsher than those imposed on Russia. The security links offered by Nato to Kiev should be as extensive as the defence co-operation which it has offered to Russia. More important, the European Union should consider reducing the tariffs that obstruct the export westwards of Ukraine's metals, textiles and farm goods. If not, such barriers may yet force Kiev to look east again for its best friends.

# Bad debts

Paying debts late is bad enough. Boasting about it compounds the offence. Mr Michael Heseltine has done neither himself nor the government any good by admitting that, as a young businessman, he waited until the last moment before paying his bills. As an astute politician, he should have known better than to make flippant remarks about a practice which many small business people, so often the victims of late payments, find so irritating.

To make matters worse, Mr Heseltine's comments about "stringing along the creditors" have come at a time when the government is consulting on whether to change the law – and introduce penalties in the form of statutory interest payments to creditors. The Forum of Private Business, a lobby group, has seized the opportunity to redouble demands for such penalties.

Despite Mr Heseltine's faux pas, the government should stick by its current opposition to statutory interest. But it should also do much more to promote prompt payments in other ways.

The main argument against statutory interest regimes is that they do not work. As a survey of EU countries published yesterday by the Association of British Factors and Discounters shows, companies in Italy and Spain – two countries with statutory interest laws – are among the slowest payers. The survey finds cultural influences matter, with debtors in northern Europe paying faster than their southern counterparts.

Moreover, just as, under present UK rules, big companies exploit their commercial muscle to delay payments to small businesses, so they could in future avoid penalties because contract terms would continue to be set by negotiation. So big companies could demand longer payment times in contracts. Small businesses would find it as difficult to object as they do today to overdue payments.

However, the government could do more to encourage prompt settlements. Last month it introduced legislation requiring companies to set out payment policies in annual reports. It would be much better if companies were also obliged to publish figures showing how fast they actually paid bills. Lobby groups could put pressure on tardy debtors.

The government could also put its own house in order. While officials have recently improved their payments record, more could be done. If the defence ministry pays over 99 per cent of bills on time, why does the office of the national lottery manage only 50 per cent? A government which makes a priority of promoting efficiency should not – to borrow a phrase – be stringing along the creditors.

# China's uncomfortable embrace

## Beijing hopes its aggressive tactics will dissuade Taiwan from seeking greater international recognition, says Tony Walker

China's imminent military exercises in the Taiwan Strait may be a crude attempt to influence voting in next month's Taiwanese presidential elections. But behind the sound and fury lies real menace.

In less than a year the Taiwan issue has moved to the forefront of threats to regional stability, and is now the most dangerous issue facing east Asia as the century draws to a close.

Mr David Shambaugh, a defence specialist at the School of African and Oriental Studies in London and editor of China Quarterly, believes a shift in Beijing's Taiwan policy is under way, driven by the military and the older generation of leaders who fear that prospects for the reunification of China and Taiwan are slipping away.

"In their minds, reunification should not be an interminable process, hence their resort to coercive diplomacy," he says. "But the problem with this policy is that it is inevitably escalating. They are pushing themselves into a corner and might find it difficult to de-escalate."

With the increasing frailty of Mr Deng Xiaoping, China's patriarchal leader, an uneasy power transition is making China's responses less predictable on Taiwan, the one question that has been central to the country's foreign policy concerns since the founding of the People's Republic in 1949.

Chinese resolve on the issue should not be under-estimated, according to diplomats in Beijing and local foreign policy analysts. "Taiwan is the biggest problem for the region into the 21st century – more than the Korean peninsula," says one. "For that reason it has to be handled especially carefully."

China's immediate aim in this latest phase is to influence the outcome of Taiwan's March 23 presidential election, in which Mr Lee Teng-hui, the current president, is aiming for a sizeable majority to bolster his drive for greater international recognition.

But Beijing also has a wider intention – to serve warning on the international community of the seriousness with which it views Taiwan's independence moves. Judging by nervous reaction in Washington, it is getting its message across.

A senior State Department official was quoted in the Washington Post at the weekend as saying the US planned to warn China that "heightened tensions could lead to miscalculation and accident". The US is also expressing concern about the size of the planned military exercises, which would be the fifth and largest of those launched in the Taiwan Strait since last June.

Beijing, which has no qualms about interfering in Taiwan's internal affairs – China regards the island as a renegade province – is bent on reducing Mr Lee's vote, and maximising that of candidates sympathetic to reunification. Its scare tactics may be having an impact, judging by opinion polls which indicate that between 30 per cent and 40 per cent of voters are undecided.

Beijing would clearly like to see Mr Lee end up with less than 50 per cent approval. This would mark something of a reverse for him, because it would indicate that many Taiwanese have reservations about his attempts to carve out an independent foreign policy in defiance of the mainland.

In Beijing, Mr Zhao Tuosheng, director of the Foundation for International and Strategic Studies, a government-supported think-tank, says Premier Li Peng's speech last week, in which he blamed Taiwan's leaders for deteriorating relations, was aimed directly at the Taiwanese electorate.

"Mr Li wanted to make the mainland's views clearly understood, not just to the Taiwan authorities, but also to the Taiwan electorate, before the latter's presidential election in March – to make sure no important points are missed," says Mr Zhao.

Beijing could not be accused of leaving room for misunderstanding. When the US granted President Lee of Taiwan a visa last June to attend a reunion at Cornell university, his alma mater, China withdrew its ambassador to Washington, froze most official contact with the US and embarked on its series of military exercises in the Taiwan Strait.

In its present mood, Beijing is proving ruthless in its manipulation of rumour and speculation. When the New York Times reported last month that China had completed a blueprint for a "limited attack" on Taiwan after the presidential elections, Beijing responded ambiguously, allowing worries among Taiwanese to linger and driving down the Taiwan stock market.

While the conspicuous hardening of China's attitudes dates from Mr Lee's visit to the US, Chinese concerns over Taiwan's independence moves had been festering since 1993, when the Taiwanese unveiled a new formula to describe relations with Beijing. Mr Lee began talking about "two political entities" within one nation to justify Taiwan's claim for a separate seat at the United Nations, using as a model separate recognition of North and South Korea.

At the same time, the Clinton administration incensed Beijing by sanctioning broader official links and approving a change of name for Taiwan's office in Washington from the Co-ordination Council for North American Affairs to the Taipei Economic and Cultural Representative Office.

Adding to China's annoyance was the fact that its president, Mr Jiang Zemin, had last year set out a new and conciliatory eight-point programme aimed at drawing Taiwan into closer consultations, and even proposing informal contacts with Taiwanese leaders.

Mr Lee's June visit to the US was seen as a stinging personal rebuff to Mr Jiang. This became a "face" issue, or matter of honour, within the Chinese leadership, contributing substantially to Beijing's overheated reaction. Hardliners supported by the military assumed control of Taiwan policy, arguing that the conciliatory Foreign Ministry line pursued by Mr Jiang risked further humiliation.

As a western military analyst in Beijing says: "The military is having a very significant effect on the Taiwan issue. The whole leadership was chastened by the Lee Teng-hui episode."

Indeed, Mr Jiang is said to have read from briefing notes prepared largely by the military in his meeting with President Clinton in New York last November in which he outlined an uncompromising position on Taiwan. Against this background there is little likelihood of any softening of Beijing's position, especially during a leadership transition with contenders jockeying for position. No aspiring Chinese leader can afford to be regarded as soft on Taiwan.

The question for the new generation is how to advance the cause of reunification, and how much pressure to apply to the Taiwanese to persuade them to agree to substantive talks in place of the desultory and informal negotiations that were suspended in protest at the Lee visit to the US.

The Chinese-language press in Hong Kong has reported that Beijing is working on a timetable for reunification. But beyond remarks recently by Mr Jiang that the return of Hong Kong next year would mark the "first step" towards the recovery of Taiwan, no such timetable has materialised.

If Beijing did choose to publish a blueprint, it would not only add dramatically to tensions, it would also mark a shift in the Chinese policy outlined by Mr Deng himself. Mr Deng had always counselled patience, but a timetable would confirm a different approach.

Such a development would certainly draw closer attention to China's military options. Taiwan probably has the capacity to repel an invasion of its main island unless Beijing is prepared to pay a terrible price. But it is vulnerable to missile attack – its missile defences are weak – and would be in danger of being strangled by a naval blockade or the mining of its sea lanes.

Ninety-five per cent of Taiwan's imports and exports travel by sea, and it is completely dependent on imported crude oil of which it has a small strategic reserve. These calculations would weigh heavily if the mainland chose to increase pressures after the presidential election.

At the least, the die seems to be cast. China is most unlikely to reverse itself, and pressures on Mr Lee are likely to increase. The last thing the region needs is a further escalation in tensions across the Taiwan Strait, but the danger is that Beijing's Taiwan policy may have developed a momentum of its own.


# Undaunted by bear's growl

It is easy to forget that the Taiwanese have lived with Chinese threats for decades; and that relations across the Taiwan Strait have improved dramatically since the late 1980s in spite of the rise in tension since last year. So while investors have occasionally scurried away, the Taiwanese are not yet reaching for their tin helmets.

This is not to suggest that Beijing's repeated threats to use force should the island formally declare independence are being taken lightly.

According to a survey published last week by the China Times newspaper, 44 per cent of respondents are worried that China might attack, while 47 per cent are not. And 45 per cent are confident that Taiwan can defend itself, against 33 per cent who have doubts. Two thirds believe the US would help Taiwan in a military crisis, but 16 per cent think otherwise.

The ostensible reason for Beijing's heightened bellicosity is that China's leadership wants to dissuade Taiwanese voters from putting Mr Lee Teng-hui back into office in the island's first presidential elections on March 23. But it is not clear if China's actions will have any effect other than giving the Taiwanese the jitters.

The China Times survey suggested that Beijing's aggression cuts both ways. The survey found that since last summer's missile tests, support for independence among Taiwanese fell from 15 per cent to 10 per cent. However, support for unification with China also fell, from 20 per cent to 15 per cent. The number of respondents who preferred to maintain the status quo rose from 50 per cent to 57 per cent. The remainder declined to reveal an opinion.

Political analysts in Taipei believe that China's behaviour may have as much to do with Chinese domestic politics as with anything happening in Taiwan. In common with analysts in Beijing and abroad, they believe that the risks of a Chinese attack on Taiwan will increase in any power struggle after the death of Mr Deng Xiaoping, the ailing Chinese leader.

But not all the signals are gloomy. Taiwanese officials think that despite its rhetoric Beijing is preparing to talk to Mr Lee, who is expected to win the election.

Once the election and a cabinet reshuffle in late May are completed, the two sides are expected to resume the arm's-length political dialogue.

**Laura Tyson**

# · OBSERVER ·

## AT&T invents the ring

■ So now we know. AT&T's equipment business, shortly to be spun off in the biggest public offering Wall Street has ever seen, is to be called Lucent Technologies.

Eh? Well, AT&T's market research apparently showed that people think Lucent – a posh word for shining – suggests "clarity of thought, purpose and vision". Its logo will be a hand-drawn circle in red, which will be called – even more bafflingly – "the innovation ring".

AT&T, it will be remembered, is the outfit which acquired NCR, the old National Cash Register, and changed its venerable and historically apt title into the horrible Global Information Solutions. Four years on, AT&T is handing the loss-making business back to its shareholders, having re-named it – yes – NCR.

Perhaps one should not be too negative. New names, after all, take a while to get used to. When ICI spun off its drugs business and called it Zeneca, everyone laughed. Now it trips off the tongue. Well, sort of.

## Unfair cop?

■ However many headlines its endemic violence may grab elsewhere, Rio de Janeiro is managing to retain its own innate capacity for self-deception.

When the non-governmental organisation Human Rights Watch/Americas recently released a report alleging that Rio police killed 191 civilians in the first nine months of last year, state security secretary General Nilton Cerquira was quick to pounce. "If I were to become a rich vagabond, I'd set up an NGO," he opined.

Less than 24 hours later, state industry secretary Ronaldo Cezar Coelho complained that pop singer Michael Jackson wanted to film his latest video about poverty in one of the city's shanty towns. Coelho even suggested Jackson not be granted a visa if the video's content was deemed offensive.

Meanwhile, allegations abound concerning the Rio police's increasingly inventive tactics, including the supposed kidnapping of the girlfriend of a kidnapper. Just until the kidnapper released his victim, of course.

The police deny the charges. But the case has at least provided rich pickings for Rio cartoonists as the line between police and bandit becomes progressively finer.

## A for effort

■ Who needs the Americans at credit rating agencies Standard & Poor's or Moody's? Gazprom, the part-privatised Russian natural gas giant, was recently asked by the Swedish business weekly Affärsvärlden whether the company was credit-rated and if so, by whom. Yes, said Gazprom cheerfully, "our board has rated us".

## All at sea

■ Far be it from Observer to question the whys and wherefores of corporate sponsorship. Rugby fans should simply make a note that National Westminster Bank seems to be the bank that likes to say "yes" at the moment.

Not only has it helped the Rugby Football Union raise £35m in loans for the redevelopment of its Twickenham stadium. But it has just signed over £1m in a seven year deal with the RFU for an executive box. Expensive viewing area, yup. But then, with 50 seats, the NatWest salon is larger than either the president's box or the royal facility.

NatWest at least has a long association with rugby, going back to the earliest days of corporate hospitality.

Unlike BUPA International, which is splashing out in an entirely new direction. It is backing The Sussex Challenge, a group of unknown amateurs taking a tilt in 1997/98 at yachting's most professional (which means expensive) race, the Whitbread.

Why a company, which wants to raise the profile of its international business, should choose a regional team to back, is a mystery. As is the supposed synergy between the UK's largest healthcare company and the umbrella sponsors, brewers Whitbread, the overenthusiastic consumption of whose products is a mite incompatible with a BUPA-approved lifestyle.

## Judge for yourself

■ Looks like the republican spirit of *egalité* still applies in some aspects of French life. It is no longer just top business executives who are being ensnared in corruption allegations by the country's judges.

In a distinctly unfraternal development, three judges, and an associate, risk losing their liberty after going on trial in Nanterre near Paris for "misappropriation" of funds. It is alleged that, while officers of the commercial court in Bobigny, they allowed the transfer of assets of a defunct company to a company owned by one of their number.

## Broad minded

■ The Sunday Times of London reported over the weekend that there were plans to build the world's biggest legal brothel in Las Vegas.

The Polynesian-style resort, which will have 24 waterfalls, 12 manicured gardens and a private airstrip, will be called Wanaleiya...

The Financial Times

## 100 years ago

**The new American loan**
According to cable advice, the new American loan has gone off like hot cakes. The amount offered was 100 million dollars, while our New York correspondent says that the applications came to over 500 million dollars. Although we were informed that the Morgan syndicate had been dissolved, we find it turning up again with a bid for the whole issue at 110.6877 dollars, a bid that reflects great credit on the Syndicate's knowledge of decimal fractions – and of the precise figure of other people's bids.

**French expenses to be axed**
The French Cabinet to-day decided to introduce drastic cuts in French civil and military expenditure and the gradual suppression of economic subsidies. These measures were part of the plan drawn up by Mr Andre Philip, new Finance Minister, to restore the financial situation. The Government also adopted measures for increasing revenue. The Cabinet has formulated a programme involving increased taxation on Stock Exchange operations and sales of property and businesses, and the general introduction of payment by cheque to decrease note circulation.

# FINANCIAL TIMES

Tuesday February 6 1996



## Bosnia poised for early World Bank membership

### Senior officials see way through obstacle of outstanding debts

**By Robert Chote, Economics Editor, in Davos**

Bosnia-Hercegovina could become a member of the World Bank within months before paying its share of former Yugoslavia's debt, which has been an obstacle to its membership and to access to fresh loans.

Officials hope the remaining obstacles to Bosnia's membership can be cleared – in principle at least – by the time international donors meet again in early April to discuss the next stage of a proposed $5bn European Union and World Bank-led economic reconstruction plan for the war-torn country.

Bosnia is responsible for $650m of former Yugoslavia's debt to the World Bank, of which $455m is overdue, and arrears will top $500m late next month or in early April.

Senior financial officials now believe it may be possible to admit Bosnia into the World Bank without it first repaying the arrears. They argue Bosnia is, in effect, a new country which cannot be held immediately responsible for the repayment of its share of former Yugoslavia's debts on the schedule on which they were originally contracted.

They point as a precedent to the way Bangladesh became a member of the bank following the break-up of Pakistan in the 1970s.

A meeting of international donors last year agreed Bosnia would need at least $5.1bn of international assistance over three years to start reconstruction – with the World Bank as an important contributor, both by providing money directly and through encouraging other donor countries.

Some $500m was pledged by about 30 donors as an emergency package before Christmas. The World Bank has already come up with $150m of this, provided none of its member governments formally object in the next few days.

The bank is allowed to provide this money without Bosnia's arrears being cleared because it is not being provided in the form of a formal loan or credit. But it would be impossible to provide the larger amounts Bosnia needs over the next few years via this informal route.

The $500m of initial financial support is to be spent on a number of emergency projects, including critical imports (such as seeds, drugs and construction machinery), payment of government salaries and a social fund to help groups such as the elderly and orphans.

Other emergency projects include help for agriculture, power, transport infrastructure and water and gas supply. Donor countries have until the end of this week to say how much of the money they have committed will be given to particular projects.

So far only the World Bank, the EU and the Netherlands have come up with their promised shares of the initial $500m.

Russian privatisation to be probed, Page 2

## Austrian parties agree on deal to cut deficit by $9.5bn

**By Eric Frey in Vienna**

Austria's two main political parties yesterday reached agreement on a package to reduce the budget deficit by Sch100bn ($9.5bn) over the next two years, paving the way for formation of a new coalition government.

The deal follows seven weeks of haggling between the Social Democrats and the People's party since an election in December provoked by their failure to agree on budget details.

In the deal the parties have agreed on in spending cuts of Sch66.7bn for 1996 and 1997, mostly through public sector pay restraint and reductions in social programmes, and Sch33bn in higher tax revenues. No changes in the basic income tax rates or in value added tax are planned.

The proposal is designed to cut the deficit from 5 per cent of gross national product in 1995 to 2.7 per cent in 1997 – below the 3 per cent limit set by the Maastricht treaty for participation in the European single currency.

Mr Franz Vranitzky from the Social Democrats called the package a "respectable result". It removes the main obstacle for the revival of the coalition government that fell apart last autumn.

The subsequent election strengthened the Social Democrats and left Mr Wolfgang Schüssel, the People's party chairman, little choice but to return to the bargaining table with his previous partners.

As the country's budget woes worsened after the election, both parties were forced to accept many measures they had declared unacceptable last year.

The Social Democrats agreed to toughen requirements for early retirement, to cut paid maternity leave for working mothers from two years to 18 months and reduce benefits for students, the unemployed and people in need of permanent care – all measures they had opposed in the past.

They also conceded that receipts from privatisations and other one-off measures would not be included when calculating budget savings.

In exchange, the People's party accepted tax increases it had previously rejected. The tax on bank and bond interest will rise from 22 per cent to 25 per cent, and people with higher incomes will lose a number of tax reliefs.

This should allow the Social Democrats to claim that they have fulfilled their campaign promise and made the austerity package "socially balanced".

Observers still expect protests from trade unions and other interest groups before parliament passes a budget for 1996. A similar programme unravelled a year ago under pressure from union, industrial and agricultural interests.

## Europe's carmakers braced for poor sales

Continued from Page 1

this year, while Acea has forecast a 3 per cent increase.

However, even such limited improvements may leave the industry in poor shape because of the introduction of new production capacity.

Toyota and Honda plan to boost output at their UK plants before the end of the decade, while NedCar, the Netherlands-based joint venture between Volvo and Mitsubishi, also expects to build up output. On a smaller scale, Chrysler plans to raise production in Austria.

In spite of the gloom, many manufacturers believe they can break away from the stagnant trend by broadening their ranges and changing models more frequently.

Mr Werner said 1996 should be "a promising year" for Mercedes-Benz because it would be launching a variety of new cars, including a sleek and relatively inexpensive convertible.

Such new products should help the company recover last year's 0.5 percentage point fall in its domestic market share, he said.

BMW, Mercedes-Benz's arch-rival, is also pushing ahead with new cars. Mr Bernd Pischetsrieder, its chairman, said demand for its new US-built Z3 convertible was well ahead of expectations.

He added that total orders were now almost equal to this year's planned output of about 35,000 units.

## Europe accused of ignoring crisis over fisheries

**By Alison Maitland and George Parker in London**

The European Union and the UK government have failed to take the fisheries crisis seriously, risking the devastation of whole fishing areas and communities that depend on them, a politician from Britain's ruling Conservative party warned last night.

Lord Selborne, chairman of the science and technology committee in parliament's non-elected House of Lords, said: "It's tragic what we've done. We've reduced a resource which is of vital importance, particularly to the developing world who rely much more on protein from fish than we do.

"We're depleting their fish stocks, we're depleting our own stocks, for a failure of political will. We haven't taken the problem seriously and we're going to regret it."

Lord Selborne, whose committee will publish the results of a wide-ranging inquiry into international fishing policy on Thursday, complained to a BBC television programme that the EU's common fisheries policy was left to junior ministers to deal with.

He added that fisheries was not the sort of issue that Mr John Major, the UK prime minister, would take to a meeting of the Group of Seven industrialised nations.

He attacked as "stupid" the EU's system of quotas to stop overfishing. "Quotas are fixed for species and you can catch the wrong type of fish, throw them overboard, go on fishing the wrong fish until you catch your quota of the right fish... The fisheries industry themselves recognise that this is a demonstrably mad scheme."

Lord Selborne warned that failure to take action could mean a repeat in the UK of the Newfoundland crisis, when a collapse of cod stocks led to 20,000 job losses in the fishing industry.

"We're going to have whole fisheries closed down. Whole communities are likely to lose their job," he said.

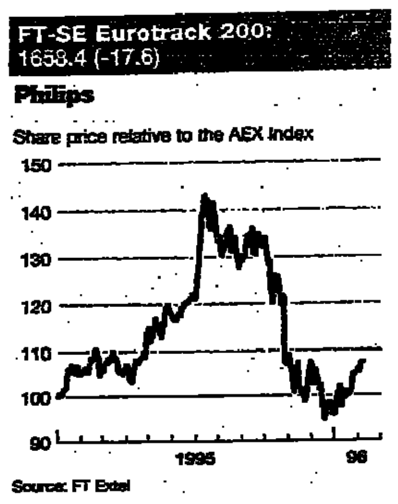
Mr Tony Baldry, UK fisheries minister, said last night that Lord Selborne appeared to be making a lot of criticisms without providing many solutions.

"While quotas may not be perfect, they are the best system available," he said. "We tried days-at-sea limits and that was bitterly opposed by the fishing industry. We're trying decommissioning, with a £50m ($77m) programme over five years."

Mr David Scott, president of the National Federation of Fishermen's Organisations, said: "I don't believe we've got depleted fishing stocks around the UK. If we had, then we would have an awful lot of people going out of business in the fishing industry, and we're not."

## THE LEX COLUMN

## Philips gets firm




Grundig, the lossmaking German electronics group, can no longer be sure of Philips as a sugar daddy. That is the effect of Philips' decision yesterday to end an agreement next year whereby it automatically pours cash into Grundig to plug any losses.

Such firm action combined with a decision to cut 3,000 jobs – roughly a quarter of Grundig's workforce – is some comfort to Philips shareholders. Nevertheless, the cash drain is probably not over. For a start, it is unclear whether the job cuts will be sufficient to return Grundig to profit in 1997 without a rebound in demand for television sets. The DM270m in restructuring costs will be sufficient to cut annual operating costs by roughly the same amount; that is still less than Grundig's operating losses of DM330m last year. If the losses continue, Philips may yet be prevailed on to inject more funds. All yesterday's decision means is that such support will not be automatic.

But even if Philips did pull the rug from Grundig in a year's time, that would not end the matter. The Dutch group would still be committed to pay the Grundig family a special dividend of DM50m a year because of commitments Philips made when it acquired a stake in the company. And the family would still have the right to sell its remaining shares to Philips for DM540m in 2004, even if Grundig were then bankrupt. If that looks like bizarre financing, it only underlines how liberally Philips' previous management frittered away shareholders' funds.

### Fokker

Is Fokker, which Daimler-Benz Aerospace abandoned only two weeks ago, suddenly beset by suitors? Yesterday's sharp rise in the company's share price, following the news that British Aerospace, France's Aerospatiale and Canada's Bombardier had joined South Korea's Samsung on the list of those holding exploratory discussions, might suggest so. However, the bankrupt Dutch aircraft maker's hopes of being saved in its present form are likely to be dashed.

Rivals such as BAe and Aerospatiale clearly want to keep tabs on what is happening at Fokker – but mainly to ensure that no new Fokkers are ever built. With their own regional aircraft businesses losing money because of cut-throat competition, the last thing they want is take on yet more high-cost production. Samsung, which has aerospace ambitions but lacks jet technology, is in a slightly different position; Fokker's expertise would actually be of some use. It would also strengthen Samsung's hand in negotiations with China over who should control their planned regional aircraft venture. That said, Samsung has no interest in keeping Fokker's expensive factories open. At most, it will buy the Dutch group's machinery and cart it off to low-cost South Korea. Some suggest that the prospect of Samsung's establishing itself as a serious competitor in the jet business could provoke BAe and Aerospatiale to launch their own spoiling bid, but this is probably wishful thinking. Although the French and British would not welcome fresh Korean competition, it would be preferable to hanging the albatross around their own necks.

### Gold

The technical indicators beloved by chartists point to a further rally in the gold price, which reached a six-year high last week. But this is the only good reason for buying gold. The price has risen sharply this year because hedge funds have shifted vast sums – by gold market standards – into the metal. But they have done so through the futures market rather than by buying the physical commodity. In January, contracts traded on New York's Comex represented two years' supply from the world's gold mines. Such leveraged investments, which drive up prices dramatically, can be unwound rapidly. It is precisely by making short-term bets that these funds make high returns. Low US bond yields have sent them scurrying for the next big "story". Gold may be it, but not for long. The nub of the problem is that there has been no surge in physical demand. In fact, most people buy gold as jewellery, and many of these buyers are price-sensitive. So demand is, if anything, likely to fall. And higher prices will sooner or later trigger selling by holders of gold such as Middle East investors.

Those who attribute the gold price rally to a revival of inflationary fears are courting disaster. Not only are most economies enjoying a period of low inflation, but gold's status as an inflation hedge has, in any case, been discredited. The rally may have some way to go, but when the market turns the latest gold rush is likely, as ever, to claim more victims than victors.

### Hanson

A special dividend to sweeten the pill of Hanson's demerger would be a meaningless bribe. Investors have only one worry about the demerger – the gap between Hanson's value and the sum of the value of its parts. From this point of view, a small bonus to tax-exempt investors, especially if it exacerbates Hanson's Advance Corporation Tax problem, is at best a red herring. Although the company could certainly afford to add to its debts, doing so would if anything add to investors' biggest concerns – over the ratings on which the demerged businesses' shares will trade.

Moreover, Hanson's initial thinking on sharing out its debts looks distinctly lop-sided. It is far from obvious why the highly cyclical chemicals business – rather than the cash-generative tobacco and energy businesses – should take half the £3bn total. Of course, of all Hanson's businesses, chemicals is likely to have the lowest rating and the highest tax charge. So it makes some sense to maximise profits elsewhere. On the other hand, it would be surprising if even US investors were relaxed about debts of this order in a business of this volatility. Both the energy and tobacco businesses, by contrast, could probably take more debt with less damage to their ratings. The energy business in particular, with a debt-free market capitalisation of around £4bn, is expected to end up with debts of only £375m. Even taking its ambitious expansion plans into account, this looks remarkably low.

Additional Lex comment on Greenalls, Page 22

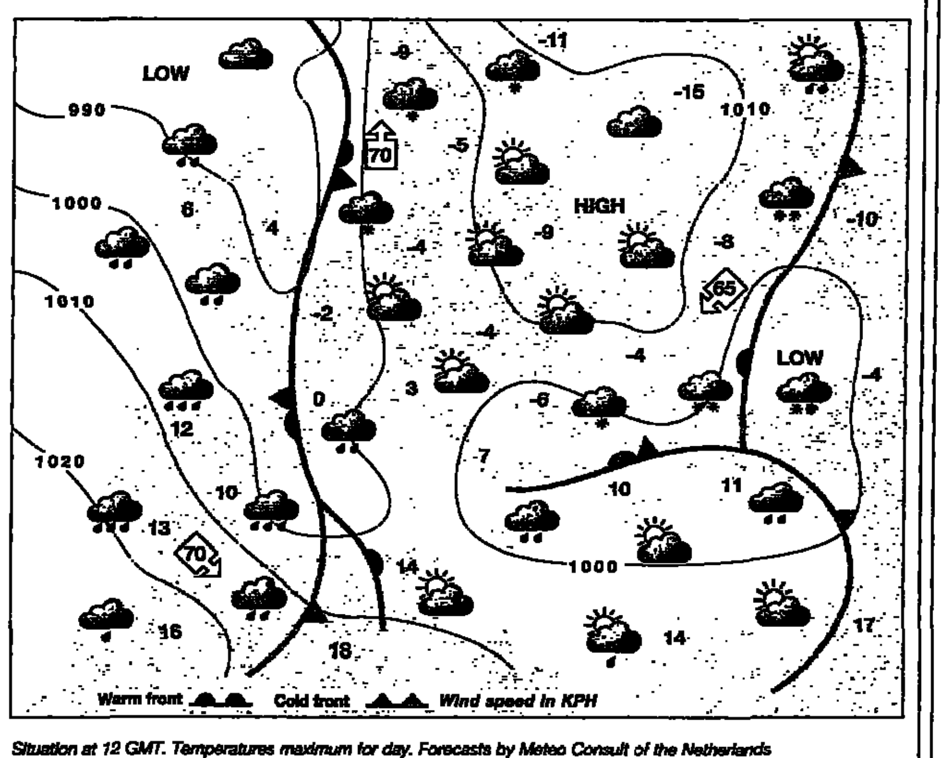
## FT WEATHER GUIDE

### Europe today

High pressure over Poland will keep eastern and central Europe mainly dry with maximum temperatures from minus 5C to minus 10C. A frontal system from Iceland across the British Isles to the western Mediterranean will cause cloud and precipitation. Ireland, England, western France and the Iberian peninsula will have periods of rain or snow. It will be unsettled around the Mediterranean. A front over the southern Balkan states, Greece and the Black Sea will cause rain in Greece and Turkey and snow on higher ground. The Benelux and Germany will remain dry and sunny but gusty south-easterly winds will make it much colder than in the past few days.

### Five-day forecast

High pressure over eastern Europe and Russia will keep much of the continent dry and cold with widespread frost. Most of western Europe will be wintry. Depressions over the Atlantic will influence the British Isles, south-western France and Portugal with rain and milder air. The depressions will move towards the Mediterranean where conditions will remain unsettled.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Beijing | sun | 6 | Caracas | fair | 29 | Faro | cloudy | 19 | Madrid | shower | 13 | Rangoon | fair | 33 |
| | Celsius | | Belfast | rain | 4 | Cardiff | rain | 6 | Frankfurt | sun | -1 | Majorca | shower | 14 | Reykjavik | cloudy | -1 |
| Abu Dhabi | sun | 22 | Belgrade | snow | -5 | Casablanca | shower | 18 | Geneva | fair | 0 | Malta | shower | 12 | Rio | cloudy | 230 |
| Accra | cloudy | 33 | Berlin | sun | -7 | Chicago | cloudy | -4 | Gibraltar | fair | 18 | Manchester | rain | 4 | Rome | sun | 8 |
| Algiers | rain | 17 | Bermuda | rain | 19 | Cologne | sun | 0 | Glasgow | sleet | 1 | Manila | cloudy | 26 | S. Frsco | cloudy | 18 |
| Amsterdam | fair | -2 | Bogota | cloudy | 20 | Dakar | fair | 23 | Hamburg | sun | -4 | Melbourne | fair | 25 | Seoul | sun | -1 |
| Athens | shower | 13 | Bombay | sun | 34 | Dallas | cloudy | 12 | Helsinki | fair | -11 | Mexico City | fair | 18 | Singapore | shower | 28 |
| Atlanta | fair | 8 | Brussels | fair | -1 | Delhi | sun | 26 | Hong Kong | fair | 20 | Miami | fair | 21 | Stockholm | cloudy | -7 |
| B. Aires | fair | 26 | Budapest | sun | -6 | Dubai | sun | 22 | Honolulu | sun | 28 | Milan | hazy | 3 | Strasbourg | sun | -3 |
| B.ham | rain | 4 | C.hagen | sun | -3 | Dublin | rain | 5 | Istanbul | rain | 7 | Montreal | cloudy | -10 | Sydney | shower | 26 |
| Bangkok | fair | 31 | Cairo | fair | 21 | Dubrovnik | windy | 6 | Jakarta | thund | 29 | Moscow | cloudy | -13 | Tangier | shower | 17 |
| Barcelona | shower | 11 | Cape Town | fair | 29 | Edinburgh | cloudy | 3 | Jersey | rain | 3 | Munich | sun | -6 | Tel Aviv | shower | 20 |
| | | | | | | | | | Karachi | sun | 30 | Nairobi | cloudy | 29 | Tokyo | fair | 7 |
| | | | | | | | | | Kuwait | sun | 15 | Naples | fair | 8 | Toronto | fair | -6 |
| | | | | | | | | | L. Angeles | fair | 19 | Nassau | cloudy | 21 | Vancouver | rain | 9 |
| | | | | | | | | | Las Palmas | fair | 20 | New York | sun | -2 | Venice | sun | 4 |
| | | | | | | | | | Lima | fair | 27 | Nice | shower | 10 | Vienna | sun | -7 |
| | | | | | | | | | Lisbon | rain | 16 | Nicosia | shower | 14 | Warsaw | hazy | -10 |
| | | | | | | | | | London | rain | 6 | Oslo | snow | -4 | Washington | sun | 2 |
| | | | | | | | | | Lux.bourg | sun | -4 | Paris | snow | 0 | Wellington | fair | 23 |
| | | | | | | | | | Lyon | shower | 0 | Perth | fair | 34 | Winnipeg | snow | -3 |
| | | | | | | | | | Madeira | cloudy | 19 | Prague | sun | -8 | Zurich | sun | -4 |





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FINANCIAL TIMES
# COMPANIES & MARKETS
Tuesday February 6 1996





## IN BRIEF

### Unknown investor buys 5% of Cofide

An unknown buyer has acquired a 5 per cent stake in Cofide, the holding company of Mr Carlo De Benedetti's family, renewing speculation over the future of the Italian group which includes the troubled Olivetti computers concern. The shares were bought on the market on behalf of a client by the Monte Carlo branch of the Banca del Gottardo of Switzerland. Page 18

**Pharmacia & Upjohn plan Windsor HQ**

Pharmacia & Upjohn, the newly created US-Swedish pharmaceuticals company, plans to site its world headquarters in Windsor, to the west of London. Mr John Zabriskie (left), chief executive, said details of planned job cuts as a result of the merger would be published over the next few weeks. He confirmed the workforce of the combined company would fall from 34,000 to 30,000, saving about $500m a year in costs.
Page 18

**Metallgesellschaft recovery quickens**
Metallgesellschaft, the German industrial and trading company which nearly sank into oblivion two years ago, continued its rapid recovery in the year to September 30 1995 with a pre-tax profit of DM171m ($119m) compared with a loss of DM2.54bn the previous year. Page 18

**3M meets expectations and sees growth**
Minnesota Mining & Manufacturing (3M), the US industrial group which is planning a spin-off of its data storage and imaging activities, reported fourth-quarter earnings in line with expectations brought down by last month's profit warning. Mr Desi DeSimone, chairman and chief executive, predicted "solid sales and earnings growth in 1996".
Page 20

**Redland considers German tile transfer**
Redland, one of the UK's biggest building material companies, is considering transferring all or part of its large European roof tile business to Braas, its 50.8 per cent owned German subsidiary, in return for cash and a larger stake. Page 23

**Sumitomo completes Daiwa US acquisition**
Sumitomo, one of the world's largest financial institutions, has completed the acquisition of most of the US branches and offices of Daiwa, its fellow Japanese lender. But the deal is widely regarded as the first move in the two banks' probable merger this year. Page 21

**Leaders told to give food summit pledge**
World leaders due to attend the World Food Summit in November need to put their authority behind a commitment to ensure food for all, which requires wide-ranging action beyond the capacity of ministries of agriculture, according to Dr Jacques Diouf, director-general of the UN Food and Agriculture Organisation. Page 25

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

**FRANKFURT (DM)**

| Falls | | | |
|---|---|---|---|
| Asko Prf | 710 | – | 35 |
| BASF | 349.8 | – | 7.9 |
| Deutsche Babck | 126.2 | – | 4.6 |
| PWA | 210 | – | 8 |
| Rheinmetall Brln | 223 | – | 5 |
| Zanders Feinpp | 144 | – | 5.1 |

**NEW YORK ($)**

| Rises | | | |
|---|---|---|---|
| Hilton Hotels | 83¼ | + | 9⅝ |
| Solectron | 47⅛ | + | 1½ |
| Texas Insts | 50½ | + | 2¼ |
| **Falls** | | | |
| Barnett Banks | 59⅜ | – | 2¼ |
| Baxter Intl | 41 | – | 1⅛ |
| Hayes Wheel | 19⅞ | – | 4½ |

**LONDON (Pence)**

| Rises | | | |
|---|---|---|---|
| McDonnell Info | 66 | + | 11 |
| Oriel | 128 | + | 15 |
| Tepnel Life | 45 | + | 8 |
| **Falls** | | | |
| Cluff Res | 130 | – | 20 |
| Ferguson Int | 196 | – | 21 |
| Stylo | 90 | – | 15 |

**TORONTO (C$)**

| Rises | | | |
|---|---|---|---|
| Arequipa Res | 9¼ | + | 1½ |
| Delrina | 18¾ | + | 1¼ |
| Offshore Sys | 3.65 | + | 1.05 |
| Prime Res | 14⅛ | + | ⅞ |
| Unican B | 18⅞ | + | 1⅛ |
| **Falls** | | | |
| Tee-Comm Elec | 14 | – | 1¼ |

**PARIS (FFr)**

| Rises | | | |
|---|---|---|---|
| Geophysique | 234.9 | + | 6.9 |
| **Falls** | | | |
| Air Liquide | 900 | – | 33 |
| Euro RSCG | 430 | – | 24 |
| Gal Lafayette | 1261 | – | 69 |
| Renault | 145.2 | – | 5.7 |
| UAP | 116.5 | – | 5.4 |

**TOKYO (Yen)**

| Rises | | | |
|---|---|---|---|
| Calpis Food | 850 | + | 51 |
| M'bishi Physics | 821 | + | 100 |
| Miyaji Iron | 680 | + | 43 |
| Nippon Sanso | 570 | + | 48 |
| Tokyu Car | 685 | + | 38 |
| **Falls** | | | |
| Seibu Railway | 4810 | – | 320 |

**HONG KONG (HK$)**

| Rises | | | |
|---|---|---|---|
| Hutchison | 61.5 | + | 1.5 |
| Wharf Hldgs. | 32.5 | + | 1 |
| **Falls** | | | |
| Hang Seng Bk | 72 | – | 1.75 |
| New World Dev | 38 | – | 1.1 |
| Sun Hung Kai | 72.5 | – | 1.5 |
| Swire Pacific A | 68.7 | – | 2 |

**BANGKOK (Baht)**

| Rises | | | |
|---|---|---|---|
| Charoong Thai | 58.5 | + | 5 |
| Singer | 230 | + | 20 |
| United Motor | 123 | + | 11 |
| **Falls** | | | |
| Interlife | 58 | – | 6 |
| Thai Rayon | 200 | – | 20 |
| Uni Floor Mill | 48 | – | 5 |

New York & Toronto prices at 12.30.

# Virgin in talks over Belgian airline stake

## UK leisure and travel group poised to establish continental European operation by taking control of EBA for $65m

By Emma Tucker in Brussels

Virgin, the UK leisure and travel group, is in talks with European Belgian Airlines, the low-cost airline, about taking a majority stake as part of its strategy to expand into continental Europe.

City Hotels, the Belgian hotels group which owns 51 per cent of EBA, last night issued a statement saying it had signed a "memorandum of understanding" with a "well-funded European group with experience in the airline business".

City Hotels said the deal involved the sale of 80 per cent of its majority stake in EBA at a cost of BFr2bn ($65m). It hoped to wrap up the deal by April 30.

Mr Victor Hasson, chief executive of City Hotels, said the sale would be made in agreement with NEI, the Luxembourg holding company which owns the remaining 49 per cent of EBA. NEI would also sell 80 per cent of its stake, giving Virgin 80 per cent of EBA. City Hotels and NEI would each retain 10 per cent.

Last night, Virgin declined to comment although officials confirmed that for the past year Virgin had been considering setting up a low-cost, quality operation in continental Europe, either on its own or via a new partner.

In particular, it needs to overcome the problem of slot shortages at London's Heathrow and Gatwick airports. Brussels' newly expanded Zaventem airport offers extra capacity with aspirations to become one of Europe's hubs.

EBA is Belgium's second-largest airline behind Sabena, the national flag carrier. It has exploited the liberalisation of Europe's aviation market to specialise in charter flights – its most profitable activity – and an "EBA Express" service of bargain flights to destinations such as Rome and Madrid. Any acquisition would not be linked to Virgin Atlantic Airways, or the Virgin Travel Group, but would operate as a stand-alone business, according to officials close to the deal.

City Hotels said the entry of the new shareholder "would enlarge the growth potential of EBA's scheduled flights, while the charter activities would continue".

News of the talks between Virgin and EBA comes at a sensitive time for the UK group. This week it will find out whether London and Continental Railways, of which Virgin is a shareholder, has won the right to operate the Eurostar rail link between Brussels and London, as well as the right to build the high-speed rail link between the tunnel and London's Waterloo station.

Trade in City Hotels' shares was suspended yesterday.
BA results, Page 22

# GM opens doors on Internet showroom

By Louise Kehoe in San Francisco

General Motors yesterday launched one of the largest and most sophisticated marketing sites on the Internet – a cyberspace showroom where prospective buyers will be able to chose a combination of features to create the car they want to order and take a virtual reality drive in GM cars and trucks.

The opening of the GM site is a landmark event in Internet marketing that is expected to prompt similar efforts by other large manufacturers of consumer goods. GM is betting that the Internet, a global web of computer networks with an estimated 37m users, will become a primary method of communications between car buyers and sellers.

The GM site on the World Wide Web, the multimedia segment of the Internet, would eventually encompass more than 16,000 pages, with more than 98,000 links to information from GM and other sites, the automaker said.

Created by Electronic Data Systems, GM's computer technology subsidiary, and CKS Interactive, an Internet content company, the GM site makes use of the latest Internet software. It offers users an opportunity to sit in the driving seat of its cars and trucks to get a 360-degree interior view and to rotate the vehicle for a 360-degree exterior view.

"The idea is to create a 'buzz' so that Internet users will tell each other 'you've got to check out the GM site'," said Mr Phil Guarascio, a GM vice-president and general manager of NAO marketing and advertising.

When it opened yesterday, the GM site (http://www.gm.com/) included a guide to the products of GM's various divisions, photographs and virtual reality features.

Several more features are under development. Chevrolet is building a "payment calculator" that will enable prospective car buyers to discover how much the monthly payments will be on a car loan.

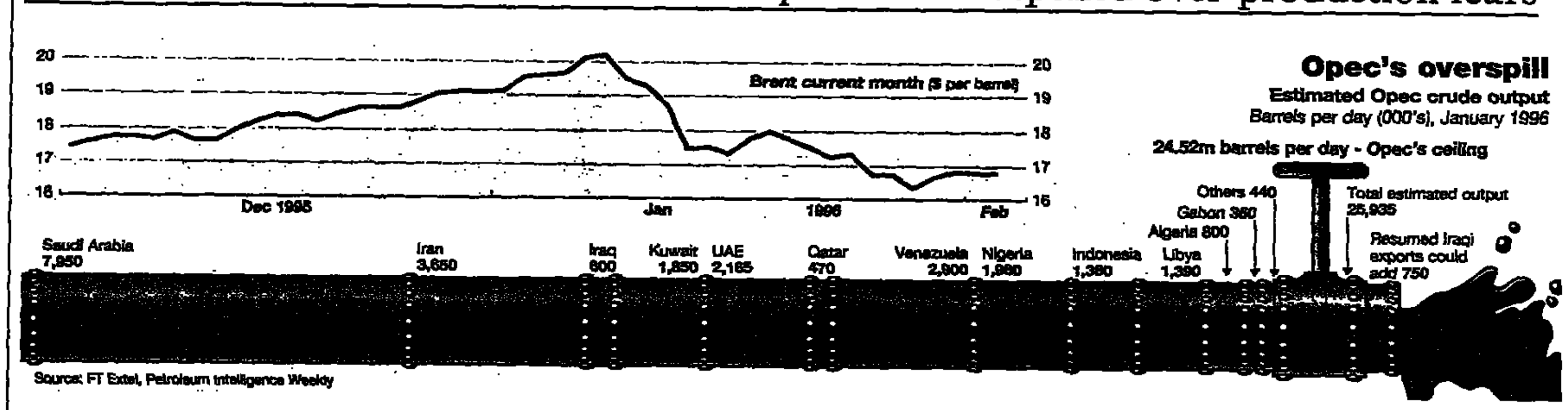
Buick is testing a "Build Your Own Car" application that allows users to select from numerous options to create a car to fit their needs. Other parts of GM will provide information about the location of dealers.

The group's Saturn Internet site soon will allow shoppers to browse electronically the used-car inventory at local dealerships. Ultimately, the GM site would enable computer users to select a vehicle simply by answering a series of questions about their finances and lifestyle, the company said.

GM has no plans to sell cars electronically, although the development of secure payment systems for the Internet is soon expected to make this technically feasible.

Mercedes embarrassed by parent, Page 18

**Talks with the UN on limited sales of Iraqi oil have deepened over-production fears**




Source: FT Extel, Petroleum Intelligence Weekly

# Baghdad fuels doubts on prices in uncertain market

The possibility that Iraqi oil could return to the world market this year has added another volatile element to oil prices.

The talks which open in New York today between Iraq and the United Nations over limited oil sales for humanitarian purposes come amid warnings of deteriorating market fundamentals. The problem is over-production by the Organisation of Petroleum Exporting Countries at a time of rising output by non-Opec producers.

Some forecasters say prices could soon come under pressure even without the re-entry of Iraqi oil. Traders fear that the appearance of an extra 750,000-800,000 barrels a day (b/d) from Iraq could tilt a finely balanced market and trigger sharp price falls.

But a successful outcome to the New York talks is far from guaranteed. Previous negotiations on an oil-for-food deal broke down in 1992 and 1993 over provisions for the distribution of aid by UN agencies to the rebellious Kurdish enclaves in northern Iraq.

There is scepticism among diplomats and western oil executives that the negotiations will result in an agreement.

But in recent days many sceptics have come to accept that Iraq is not merely testing the diplomatic waters with its latest initiative. One senior diplomat in Baghdad expected at least two rounds of negotiations. The first in New York to settle the technical details of how to implement Resolution 986, which authorises limited sales, and the second in Baghdad in which a political decision over whether or not to proceed will be taken.

Despite the technical and political difficulties posed by the resolution, expectations in Baghdad are high that oil sales will soon proceed. After 5½ years of increasing economic pressure under strict and wide-ranging UN sanctions, many Iraqis have been quick to see light at the end of the tunnel since the surprise announcement that talks on oil sales would be revived.

Egged on by the local press, the consensus in Baghdad is not only that Iraq will successfully negotiate a deal with the UN to export oil but that this will be the beginning of the end of sanctions. An official statement on the talks from an economic committee chaired by President Saddam Hussein over the weekend said it expected positive results from the dialogue with the UN.

One newspaper, owned by the president's eldest son Uday, has congratulated the Iraqi leader for "compensating your people with ample joy by dismantling the chains of the embargo".

The Arab League yesterday added its voice to those calling for a compromise that would enable Iraqi oil to begin to flow.

A diplomat in Baghdad commented: "Our impression is that the Iraqis are very serious about reaching an agreement. But the optimism here far outweighs any real assessment of how successful they're likely to be."

If an agreement is reached analysts expect oil prices to fall by about $2 a barrel. But prices could come under further pressure if it appears that Opec is unable or unwilling to accommodate an Iraqi re-entry.

"The chaotic state of the market could last from several days to a few weeks, depending largely on how Opec reacts," says the Petroleum Finance Company, Washington-based consultants.

But Iraq is not the only unsettling issue facing the oil markets. The uncertainty surrounding Baghdad's intentions comes at a time when the markets are still adjusting to the volatility introduced by a structural change in the way some oil companies manage their inventories.

Last year, a number of US refiners adopted "just-in-time" techniques to cut costs. But they have proved particularly volatile. Having reduced stocks to a minimum, some US refiners found themselves scrambling to secure additional supplies at the beginning of the year as a cold snap in the north-east caused demand for fuel oil and other refined products to soar.

A recent report from London brokers Societe Générale Strauss Turnbull noted that such techniques "...clearly shift all the short-term price risks on to the upside, in the event of abnormal events..."

The speed with which prices rose last month surprised many traders. Within a few weeks the benchmark Brent Blend moved from just over $17 a barrel to the $20 a barrel barrier as record trading volumes were set on London's International Petroleum Exchange. But prices sank almost as quickly once the refiners secured sufficient supplies and the speculation about Iraq surfaced.

The uncertainty over price trends has been exacerbated by news that Opec output remains well above its production ceiling of 24.52m b/d. Industry newsletters report that Opec production last month was more than 1m b/d above the ceiling, with Venezuela more than 400,000 b/d over its quota. Given there are no signs of a slowdown in production by key non-Opec countries, such as the UK and Norway, some forecasters see sharp price falls in the second half of the year.

Even so, most analysts expect average prices to remain within the $14-$20 range for Brent Blend that has characterised the market for the past few years. Only Iraq could break the range analysts say. But that depends on President Saddam.

As one diplomat said: "It will take a hell of a lot for the Iraqis to swallow 986. If they agree, then the regime has finally accepted that its system is verging on collapse."

**Robert Corzine and James Whittington**

# Finance watchdog plans to broaden HK trading

By Louise Lucas in Hong Kong

The Securities and Futures Commission (SFC), Hong Kong's financial watchdog, has launched a plan to tackle growing competition from other centres and worries overseas about China's resumption of sovereignty.

The SFC aims to broaden the range of financial instruments, including those denominated in yuan, the Chinese currency; to develop a liquid debt market; to promote trading-only listings for international and regional issues; to win back trading that has migrated overseas; and to broaden the retail and institutional investor bases.

The watchdog says the most important messages to put across to potential international investors relate to China's resumption of sovereignty of Hong Kong from July next year.

"To properly perform our role as a facilitator of market development, we would need to ensure that the post-1997 guarantees regarding Hong Kong's status as a Special Administrative Region (SAR) of China are properly understood," says the SFC.

The three-year plan seeks to address the absence in Hong Kong of a deep and liquid debt market and of a depositary receipts market. Additional investment vehicles and products being considered include the development of a secondary market and yuan futures, index futures and other soft commodity contracts.

In areas where Hong Kong maintains an edge – chiefly, mainland China issues – escalating competition has prompted the SFC to examine ways of staying ahead.

It also aims to reverse the trend of falling domestic activity: in 1991-92, the latest year for which figures are available, about 12 per cent of trading of the highest turnover stocks in Hong Kong was conducted in London and New York.

# Grace stays open to dialysis offers

By Tony Jackson in New York

Wall Street reacted coolly to the proposed deal between W.R. Grace and Fresenius of Germany, whereby the two companies will merge their kidney dialysis businesses and spin the new company off to shareholders. Yesterday, Grace's shares rose only $¾ to $68⅞ by lunchtime.

This was despite indications from Grace that it would entertain further offers for its dialysis arm, National Medical Care. Baxter International, the healthcare group, made a rival $3.8bn bid for NMC last Friday.

Baxter said its offer was still open. It believed its offer was superior to the Fresenius deal. "Ours can be concluded quickly, and it's for 100 per cent of the company. We will wait and see what [Grace's] shareholders think of it," it said.

The deal with Fresenius offers Grace shareholders 45 per cent of the new company. In addition, NMC is to borrow $2.3bn before the deal and give it to Grace, which will use it to buy back up to 20 per cent of its own equity. Grace said the spin-off would be tax-free to Grace's shareholders, in contrast with the Baxter offer.

Fresenius has also agreed to bear all costs which might result from a US government investigation into NMC for alleged over-pricing. Baxter has capped its liability at $100m.

Under the deal, the chief executive of the merged company would be Mr Gerd Krick, head of Fresenius.

Grace's fourth-quarter results yesterday showed a 17 per cent drop in pre-tax profits to $107m for the business excluding NMC. There was also an 8 per cent pre-tax fall at NMC. Both figures were struck before exceptional charges of $566m after tax, which produced a net loss of $474m for the quarter and $326m for the year. Excluding special charges, earnings for the year rose 11 per cent to $3.33 per share.

Hat-trick, Page 20

## EUROPEAN NEWS DIGEST

# Södra knocks $150 off the price of pulp

Södra, Europe's largest producer of market pulp, yesterday announced it was cutting the price of pulp from $875 a tonne to $725. The Swedish forestry group said the cut was due to rising inventories and price pressure. In particular, it blamed North American producers selling cheaply in south-east Asia. "That's a hell of a drop," commented Mr John Mikulski, of Mikulski Hall Associates, paper industry consultants. "It will send a few shudders through the industry."

Södra, a pioneer of totally chlorine-free pulp, sells at the top end of the market and is regarded as being in a stronger position than some other suppliers. "It's a measure of how bad the situation is that they've had to cut," said Mr Mikulski.

A highly cyclical and volatile commodity, pulp climbed from a trough of $390 a tonne in late 1993 to last year's record $1,000 a tonne before falling in response to slower than expected economic growth and a build-up of stocks among pulp and paper customers. Although the official price is $875 a tonne, it is being widely traded at $800-$850 and as low as $700 in east Asia, industry experts say. *Alison Maitland*

## French SE transactions slip

The total number of transactions on the French stock market during 1995 fell 9 per cent to 30.8m, still its second highest ever, according to figures published yesterday. The figures came at a time of disappointing performance on the bourse, with the key CAC-40 index falling 0.5 per cent over the year, the SBF 120 by 0.3 per cent and the SBF 250 by 1.4 per cent. The newly-launched MidCac index of middle-sized companies fell 16.8 per cent.

Overall, the volume of transactions fell by 6.1 per cent to FFr1,053bn ($206.11bn), while the daily average of sales and purchases stood at FFr4.17bn last year. Total market capitalisation was FFr2,446bn at the end of the year. Volumes in French shares on the main market fell by 2.5 per cent to FFr993bn, and foreign shares on the main market by 15 per cent to FFr17bn. Transactions of French shares on the second market dropped 22.2 per cent to FFr28bn. *Andrew Jack, Paris*

## Sharp advance for Autoliv

Autoliv, the Swedish maker of car safety equipment, yesterday posted a sharp rise in 1995 pre-tax profits which matched market expectations. The group recorded pre-tax profits of SKr1.01bn ($145m), a 48 per cent increase on the previous year's SKr680m.

Sales were boosted by higher market penetration by the company's key growth product, airbags, sales of which increased 18 per cent to SKr4.9bn out of the consolidated turnover of SKr10.2bn. Seat belt sales also showed firm growth of 11 per cent to SKr5.3bn, despite an increase of only 4 per cent in production from European car manufacturers.

The company proposed to lift dividends to SKr4.50 from SKr3 in 1994. A one-to-one share split was also proposed doubling the number of shares to 55m. *Reuter, Stockholm*

## Shake-up at Michelin

Michelin, the world's largest tyre manufacturer, yesterday announced a wide-ranging reorganisation including the appointment of a new executive council. The nine-strong council will support the three managing partners who control the business. The aim is to focus the group on its leading products and markets, based around four geographical regions, nine strategic business units and 11 group services.

The members of the new executive council are existing Michelin employees. *Andrew Jack*

# Pharmacia & Upjohn to base operations in UK

**By Daniel Green**

Pharmacia & Upjohn, the newly created US-Swedish pharmaceuticals company, will build its world headquarters in Windsor, west of London, it said yesterday.

The company, formed in November 1995, also unveiled a new corporate image, inspired by paintings sprayed on to cave walls by Stone Age man. The logo is a purple stone with outlines of a hand, a bird and star seemingly sprayed on.

Mr John Zabriskie, chief executive, said details of planned job cuts forced by the merger would be published over the next few weeks. Some details are likely to be released with the company's 1995 results on February 22.

He confirmed the workforce of the combined company would fall from 34,000 to 30,000, saving about $500m a year. Specific cuts are being decided country-by-country.

Mr Jan Ekberg, chairman, said there would be cuts at offices that were once the headquarters of the parent businesses – in Stockholm, Sweden; Kalamazoo, Michigan; and Milan, Italy. He said the net reduction in numbers employed by headquarters offices would be "more than 20 per cent".

The three cities would remain regional headquarters. Stockholm would run the company's metabolic drugs operations, Milan the cancer drugs, and Kalamazoo other areas including infectious disease and female health.

It aims to halve the number of manufacturing sites to 30. Overlaps in manufacturing mean there is unlikely to be a large increase in employment in the UK. The headquarters site will initially employ about 80 people.

Mr Zabriskie, 56, will be based in the UK, as will most senior executives except Mr Ekberg, 58, who will remain in Sweden for family reasons.

Mr Zabriskie said he would be looking at acquisitions. The two companies have cash resources because they merged through a share swap, thus avoiding the heavy borrowings common after successful hostile bids.

He said the company had now entered the world's top 10 by sales – 1994 turnover of the companies combined was $6.7bn – but wanted eventually to be in the top five.

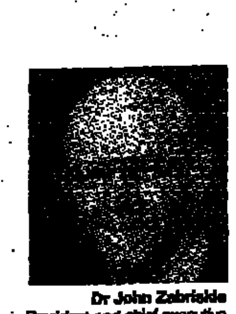
The UK-based top management will also be considering a listing on the London Stock Exchange. The company has stock exchange listings in New York and Stockholm.

Some details also emerged on the origins of the merger. The trigger was a telephone call from Mr Ekberg to Mr Zabriskie on February 15 1995 to suggest an alliance between the two companies. Pharmacia had conducted a review of its international activities and concluded it needed a US partner.

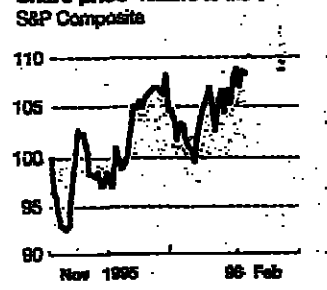
Meanwhile Upjohn, had been examining why its research and development had produced so few products during the 1980s. It concluded that it had concentrated too much on chemistry at the expense of biotechnology. Pharmacia had been on its shortlist of potential partners strong in biotechnology.

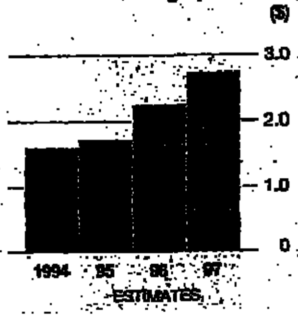
COMPANY PROFILE:
**Pharmacia & Upjohn**

| | |
|---|---|
| Market capitalisation | $20.9bn |
| Main listing | New York |
| Historic P/E | 22.2 |
| Gross yield | 2.6% |
| Earnings per share | 1994: 1.62 |
| Current share price | $41.4 |



Dr John Zabriskie
President and chief executive




# Recovery gathers pace at Metallgesellschaft

**By Andrew Fisher in Frankfurt**

Metallgesellschaft, the German industrial and trading company which nearly collapsed two years ago, continued its rapid recovery in the year to September 30 1995, with a pre-tax profit of DM171m ($115m) compared with a loss of DM2.54bn in 1993-94.

Mr Kajo Neukirchen, chairman, said the target for the current year was around DM300m before tax. The company was sticking to this goal, despite the weakening German economy. Both last year's result – on turnover of DM17.6bn against DM20.5bn last time – and the forecast for 1995-96 are in line with previous statements by Mr Neukirchen, who said yesterday "the turnround has succeeded". The shares rose 1 per cent to close at DM36.10.

Without a DM3.4bn rescue package from its banks early in 1994, Metallgesellschaft would have gone bankrupt as a result of heavy losses on US oil futures and swaps contracts. Under Mr Neukirchen, brought in after the scale of the losses became known in December 1993, the company has sold assets, cut costs and undergone extensive restructuring. Banks have since injected a further DM618m.

Mr Neukirchen said all activities – mainly chemicals, plant engineering and contracting, trading and financial services – were in the black. Pre-tax profits in the first quarter of 1995-96 were DM22.4m against DM14.3m a year ago. Income from long-term projects, especially in engineering, would be received later in the year.

"Metallgesellschaft has become a completely normal company more quickly than expected after being a problem case discussed around the world," he said. However, it was still too early to think about resuming dividends. This year's targets would first have to be achieved and then "a sensible profit level" attained in 1996-97.

He said accumulated losses, carried forward from the time of the oil trading debacle and available to reduce tax liabilities, totalled DM3.5bn. Mr Neukirchen declined to say how quickly these would be used up. In 1994-95, net profits totalled DM118bn against DM2.63bn. Group indebtedness at the end of September was down to DM1.5bn, half the level of the previous year. It also compares with DM7.5bn at the end of December 1993.

Mr Neukirchen said capital spending should total around DM400m this year. Metallgesellschaft was expanding its foreign activities in engineering and speciality chemicals to be closer to fast-growing markets in Asia, South America and eastern Europe, where costs were also lower. Acquisitions would play an increasing role in the recovery.

Inmet set for restructuring, Page 20

# Fokker lines up 'about' five potential suitors

**By Ronald van de Krol in Amsterdam, Robert Gibbens in Montreal and Bernard Gray in London**

Fokker, the ailing Dutch aircraft maker, said yesterday it had attracted interest from "about" five companies around the world, but it was not yet clear whether any aircraft maker would be prepared to buy the company in anything like its current form.

East Asian aerospace companies are reported to be interested in Fokker as a way of acquiring passenger jet technology more cheaply than developing it themselves. European competitors, by contrast, are said to be interested in preventing the cheap flow of jet airliner technology to new Asian competitors.

Neither group, however, is likely to be prepared to take on Fokker's massive debts, manufacturing facilities or even the cost of maintaining its existing fleet in service.

"Everyone is talking to them to find out what is in there," said one aerospace executive yesterday, "but I cannot see anyone buying the whole millstone."

Aero Regional International, the regional aircraft joint venture between Aérospatiale of France, British Aerospace and Alenia of Italy, which is Fokker's main European competitor, has asked Fokker for information about the company's intentions.

Its interest is likely to be restricted to curbing technology transfer and maintaining an orderly secondhand market in regional aircraft.

Other regional aircraft makers are worried that the complete collapse of Fokker would cause the price of aircraft to plummet on the secondhand market, damaging the re-sale value of their airliners.

Bombardier, whose Short Brothers subsidiary in Northern Ireland makes wings for the Fokker 70 and Fokker 100 jets, also said for the first time yesterday that it would meet the Dutch company's management for talks. The Canadian company has been the most widely tipped in the Netherlands to acquire all or parts of Fokker.

Bombardier is developing a 70-seater Regional Jet at customer request, but has hitherto regarded the 100-seat regional jet market as too crowded internationally.

News of the possible European and Canadian interest in Fokker came yesterday when Mr Ben van Schaik, Fokker chairman, who has only a month's protection from creditors to find a buyer, told reporters at a Singapore aviation exhibition that the company had attracted "around" five potential suitors.

Until now, Samsung of Korea is the only company to have openly expressed an interest in considering a deal with Fokker. However, Samsung officials have tried to temper expectations that the company is preparing a bid.

Fokker said it would hold talks with all interested parties but added that it was unlikely to be able to narrow the field to one candidate this week.

Potential buyers have not yet been sent details of Fokker's business, which would disclose how much of the liabilities remain with the Dutch company and how much have been borne by Daimler-Benz Aerospace, the German majority shareholder which withdrew financial support for Fokker last month.

Lex, Page 16

# Share buy renews speculation on Cofide

**By John Simkins in Milan**

**An unknown buyer has acquired a 5 per cent stake in Cofide, the holding company of Mr Carlo De Benedetti's family, renewing speculation over the future of the Italian group, which includes the troubled Olivetti computers concern.**

The shares were bought on the market on behalf of a client of the Monte Carlo branch of Banca del Gottardo of Switzerland. The move follows the recent entry of Banca Agricola Mantovana of Italy into Mr De Benedetti's Cofide shareholder syndicate through the purchase on the market of 4.41 per cent of Cofide.

Analysts in London and Milan said yesterday it was unclear if the Banca del Gottardo investment was potentially predatory, or whether it indicated an attempt to strengthen the De Benedetti hold on Cofide or simplify the group's holding structure. The De Benedetti family holds 40 per cent of Cofide, which in turn has 43.7 per cent of Cir, the main industrial holding company.

Speaking in Davos at the weekend, Mr De Benedetti said the Banca del Gottardo purchase was an "act of confidence" in Cofide. He said it could not be seen otherwise, as his family and the shareholder syndicate – which also includes Generali, the insurance group, Mediobanca, Pirelli and Mr Carlo Carracciolo, chairman of the L'Espresso publishing group – together control more than 50 per cent of Cofide.

Asked if he feared a takeover of Olivetti, of which Cir has 15.12 per cent, Mr De Benedetti said it would be just "part of the game". He said: "I by far prefer to be subject to a takeover than be in hands of nationalised banks."

A takeover of Olivetti, which expects a pre-tax loss of L500bn ($316.5m) for 1995, potentially became easier last month with the dissolution of its syndicate of core shareholders, which controls 20 per cent. Mr De Benedetti said that the wider share base following last December's rights issue, which saw foreign investors take 70 per cent, meant there was little logic in maintaining the syndicate.

Most analysts said they thought it unlikely that Cofide itself would be the subject of a hostile takeover and that predators would be more likely to aim for Cir or the companies it holds stakes in. "The lower down the group you went into the assets the less risk there would be of finding a can of worms in the bit you didn't want," said one London analyst.



# Mercedes embarrassed by parent

## Daimler shake-up should help carmaker, writes **Wolfgang Münchau**

Mr Helmut Werner, chairman of Mercedes-Benz, had trouble suppressing a smirk during a recent news conference when he talked about Daimler-Benz, the German industrial group which he repeatedly referred to as "our shareholder". Whenever the name Daimler-Benz is mentioned these days, Mercedes executives seem to fall into expressions of contempt and pity, similar to the way some Mercedes drivers look down on other traffic.

Mercedes-Benz makes up about three-quarters of the turnover of Daimler-Benz, and is one of Europe's most profitable carmakers. Daimler-Benz, by contrast, will this year announce a loss of some DM6bn ($4bn), give or take a few hundred million, the worst ordinary loss in German corporate history.

Given that most Germans do not know the difference between Mercedes-Benz and its parent, Daimler-Benz's difficulties present a problem for the carmaker – although Mr Werner insists that sales are holding up well.

With the appointment of Mr Jürgen Schrempp as chairman last May, Daimler-Benz is finally returning to its automotive roots, after several years of diversification. Within the last few months Daimler has broken up AEG, its lossmaking industrial group, initiated more job cuts at Daimler-Benz Aerospace (Dasa), and pulled out of Fokker, the Dutch regional aircraft maker.

The abandonment of the "integrated technology concern" – an expression coined by Mr Edzard Reuter, the former chairman, and disowned shortly after his departure – as Daimler's guiding strategy now raises the question among investors of where the company is headed now. Is it back towards the pre-Reuter automotive era; is there some other industrial strategy; or is it going to be a pure strategy of profit maximising?

Mr Schrempp himself defines his company as a "transportation group", whose activities focus on anything that moves – cars, trucks, buses, trains and aircraft – conditional on a minimum target performance for each division.

But the company could be looked at in a different way. AEG's old rail business is now part of Adtranz, the 50:50 joint venture company between Daimler and ABB, the Swiss-Swedish engineering group. Dornier, the regional aircraft maker, may also go eventually. MTU, the aero-engine maker, may be scaled down in to a component supplier.

If Airbus one day becomes an ordinary commercial company, rather than an economic interest group as it is now defined, there will not be much left at Daimler-Benz, except of course Mercedes-Benz, various bits and pieces, and some rather large investments.

Mr Georg Stürzer, analyst at Vereinsbank Research, says a concentration on Mercedes-Benz would be "the best imaginable outcome".

"At this moment it is not entirely clear where this company is headed. It is good that they are getting rid of lossmakers, but it all raises the question about the strategic line behind it all," he says.

The recent surge in Daimler-Benz's share price suggests most investors have taken a benign view of the recent developments at the company, hoping its determination to pull out of lossmaking activities, combined with an internal 12 per cent return on investment target for all its business divisions, may ultimately lead to handsome profits.

Nevertheless, there remain risks which are beyond the company's control. The German economy has suffered a downturn only a couple of years after the last recession ended, and the outlook is uncertain.

By contrast, the D-Mark, a curse to exporters last year, may fall back again from its dizzying heights and provide some relief.

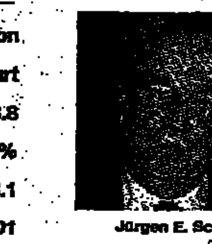
Another damaging factor for Mercedes-Benz is the crackdown on company car taxes, one of several measures taken by the government to plug the hole in the German federal budget. At the recent news conference at Mercedes' Stuttgart headquarters, Mr Werner expressed his concern, saying second-hand car sales were already affected by a new law which imposes a tax on 1 per cent of a company car's list price per month, thus hitting the drivers of expensive German cars more than others.

Despite those risks, and including the danger that the company may have to restructure yet further, Daimler has certainly taken some of the most important, difficult and expensive decisions that had to be taken.

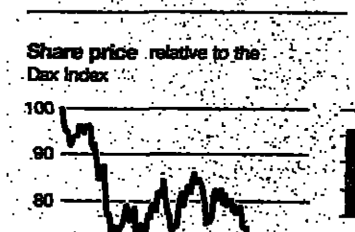
The debate about its future involvement in the aerospace and defence business, however, is certain to continue.

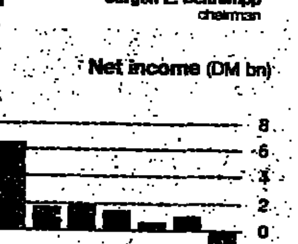
COMPANY PROFILE:
**Daimler-Benz**

| | |
|---|---|
| Market capitalisation | $27.8bn |
| Main listing | Frankfurt |
| Historic P/E | 23.8 |
| Gross yield | 1.36% |
| Earnings per share | 1994: DM198.1 |
| Current share price | DM 801 |



Jürgen E. Schrempp
chairman



# Good morning.

## (And why it is one.)

It's not every day you can talk about a genuine medical breakthrough.

But maybe today, February 6th, is the exception.

This morning, two leading pharmaceutical companies – Pharmacia and Upjohn – are announcing to the world the merger of their operations.

This will mean that two pools of specialised medical talent now have the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however. It is also about shared ideals.

Our new trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.

Pharmacia
&Upjohn

## AMERICAS NEWS DIGEST

## European activities help Goodyear rise

A jump in European earnings contributed to a 7 per cent increase in after-tax earnings at Goodyear, the US tyre maker, in the final three months of last year. The effects of higher prices and sales volumes in Europe, together with favourable exchange rates, helped offset weakness in the US market and higher raw material prices.

Goodyear's European activities generated 26 per cent of the groups' operating earnings on 22 per cent of sales in 1995, compared with 18 per cent of earnings on 19 per cent of sales the year before. The US accounted for 55 per cent of sales last year, down from 58 per cent, and contributed 45 per cent of the group's operating profits, down from 50 per cent.

Net income totalled $146m for the latest quarter, or 96 cents a share, on sales up 2 per cent at $3.3bn. Full-year profits after tax rose 8 per cent to $611m, on a 7 per cent increase in sales to $13.2bn. Earnings per share for 1995 were $4.02, after $3.75 in 1994. The results were in line with indications given by the company two weeks ago. *Richard Waters, New York*

## Hilton Hotels shares up 13%

Hilton Hotels stock rose 13 per cent yesterday, a day after the company named former Walt Disney executive Mr Stephen Bollenbach as its president and chief executive officer. The US hotel chain's shares surged $9.875 to $83.75 on the New York Stock Exchange at midday. On Sunday, the group announced that Mr Bollenbach, formerly chief financial officer of Disney, would replace Mr Barron Hilton as chief executive. Mr Hilton will remain chairman. Mr Bollenbach was previously chief financial officer for Promus Hotel, Trump Hotels & Casino Resorts and Marriott International, and chief executive officer at Host Marriott. *Reuter, New York*

## Automatic Data unit upbeat

GSI, the French-based computer services group bought last year by Automatic Data Processing of the US, said yesterday it expected to report operating profits of FFr130m ($25.4m) for 1996. The result comes after a loss of FFr30m in 1994, following substantial restructuring charges taken as part of its efforts to reduce the payroll and refocus the business.

GSI, originally part of Alcatel Alsthom of France, was bought by ADP in late 1995. Mr Philippe Gluntz, corporate vice-president for ADP in Europe and one of the founders of GSI in 1971, said it needed to complete two more sales of businesses as part of its restructuring. Mr Arthur Weinbach, chairman of ADP, said his group had no plans for additional restructuring at GSI, which is absorbing ADP's previous smaller European acquisitions in the UK and the Netherlands.

GSI hopes to extend its outsourcing activities – including substantial business handling payrolls – towards smaller companies in France, and the high-growth market of Germany. *Andrew Jack, Paris*

## Parmalat enters Brazil market

Parmalat, the Italian dairy foods group, has launched in Brazil the first in what it hopes will become a global chain of ice-cream parlours. The company spent $5m to start the project, which it intends to develop mostly through franchises, although proprietary outlets will lead the way in each of Parmalat's 19 national markets.

The company has targeted São Paulo's youth market by siting the first ice-cream parlour in a converted mill and warehouse complex which also contains a bar and discotheque. Mr Gianni Grisendi, president of Parmalat do Brasil, where the idea originated, said more outlets would open after a two-month test period. *Jonathan Wheatley, São Paulo*

## Varity drops Hayes plan

Varity, the North American-based vehicle parts and diesel engine producer, has dropped last September's plan to buy in the publicly-held shares of Hayes Wheels at US$25 a share and will maintain its existing 46 per cent interest. Hayes is the world's biggest maker of aluminium and steel wheels for cars and other vehicles. *Robert Gibbens, Montreal*

## Stone Container predicts growth

Stone Container, the US pulp and paper group, forecast another strong year in 1996, after reporting earnings of 78 cents a primary share after a 8 cents charge, up from 31 cents a year ago. Mr Roger Stone, chairman, said the long-term prospects remained "truly outstanding". For 1995, income was $2.63 a primary share after charges, or $4.64 a share before charges. *Reuter, Chicago*

## Citibank to open office in Tel Aviv

By Avi Machlis in Jerusalem

Citibank is to open a representative office in Tel Aviv, making it the first US bank to establish a presence in Israel. The central bank said the move was a vote of confidence in Israel's economy and the stability of its macro-economic policy.

Mr William Rhodes, Citibank vice-chairman, said he had been reviewing Israel's economy since a 1992 visit and was encouraged by recent developments such as the opening of the economy, rapid growth and the reduction of inflation to a 26-year low. Opportunities unfolding along with the peace process also attracted Citibank to Israel.

Mr Rhodes said Citibank's Israel office would participate in financing growing trade to and from Israel. He said Israel's "technology base forms an interesting future not only in the Middle East but around the world for Israeli exports".

He added that Citibank's presence in numerous Middle Eastern, Asian and African countries placed the bank in a "unique position to put things together" for Israeli trade.

Citibank's Tel Aviv office, to be managed by Mr Ronny Strauss, will also seek opportunities to co-finance regional development projects.

Banking activities will not be carried out by the Israel office at this stage.

Citibank is currently represented in 97 countries, including Middle East offices in Jordan and Egypt. A Citibank office in Lebanon will open in the near future.

# 3M meets expectations and forecasts growth

By Maggie Urry in New York

Minnesota Mining & Manufacturing (3M), the US industrial group which plans to spin off its data storage and imaging activities, reported fourth-quarter earnings in line with expectations brought down by last month's profit warning.

The fourth quarter bore a $653m pre-tax restructuring charge, of which $574m related to the spin-offs and the planned closure of the audio and video tape activity.

Mr Desi DeSimone, chairman and chief executive, predicted "solid sales and earnings growth in 1996".

He said the sharp rise in raw material costs, which affected profits in 1995, was expected to level off.

Sales volumes outside the US rose 10 per cent in 1995, and 8 per cent in the fourth quarter. Domestic volume increases were 3 per cent for the year and 2 per cent in the last quarter.

Mr DeSimone said international volume growth would be "solid" in 1996, and productivity gains would continue.

Fourth-quarter earnings from continuing operations were 75 cents a share, before a 12 cents a share restructuring charge, compared with 70 cents.

Pre-tax income from these businesses was up from $294m to $318m, before the $78m one-off charge.

However, discontinued operations, which include the businesses being spun off or closed, only broke even, compared with earnings per share of 9 cents last time. The fourth-quarter 1995 period took a charge of 87 cents a share. Net income from these business was down from $322m to a loss of $97m, after the charge.

That left group earnings per share before charges down from 79 cents at 75 cents, in line with the warning in mid-January.

The shares fell 5 per cent on the day of the warning to $63⅞ and were down $⅞ at $65 in morning trading yesterday.

For the year, earnings per share from continuing operations after the charges were up from $2.85 to $3.11, with discontinued operations losing 79 cents, compared with earnings of 28 cents.

# Inmet set for restructuring as directors launch review

By Bernard Simon in Toronto

Inmet Mining, formerly the mining arm of Metallgesellschaft, is poised for a shake-up after failing to meet expectations since it was spun off by the German industrial group almost two years ago.

The Toronto-based copper, zinc and gold producer has formed a committee of independent directors to review its future direction. The committee includes two new outside directors.

Mr Douglas Scharf, chief financial officer, said yesterday that "we're trying to establish what our longer-term strategy is going to be and what metals we'll be in".

He added that "we're looking for a significant core asset". Some existing operations could be sold.

Besides an 80 per cent stake in the Copper Range copper mining and smelting complex in Michigan, Inmet's far-flung interests consist mostly of minority investments in mines and exploration properties operated by other companies. It owns 18 per cent of the big Ok Tedi copper mine in Papua New Guinea, and has interests in mines in Canada, Turkey and Tunisia.

Inmet was expected to gain a new lease on life when it was spun off by Metallgesellschaft in mid-1994 as part of the German group's restructuring in the wake of its heavy losses in US energy markets.

However, the Canadian company has languished. "It really doesn't have much identity or direction at the moment," one Toronto analyst said yesterday. He expressed reservations about the current management's ability to turn the company round. The management has remained largely unchanged since Metallgesellschaft withdrew.

Inmet shares have recently traded well below their price at the time of the spin-off. But news of the proposed restructuring helped boost them by 25 cents to C$10.75 in early trading on the Toronto stock exchange yesterday.

Copper Range has been the biggest headache. High mining costs and uncertainty over future operations led Inmet to suspend mining and milling operations last September. Copper Range's smelter was shut last February under an anti-pollution agreement with the state of Michigan.

A large writedown at Copper Range resulted in a net loss of C$196m (US$141.9m) in the first nine months of 1995, compared with earnings of C$17.9m in the same period the previous year.

Sales grew to C$822.9m from C$579.3m, reflecting higher metal prices, new mines and increased output at Norddeutsche Affinerie, the German copper smelter and refinery in which Inmet has a 35 per cent stake.

Fourth-quarter earnings are due to be published later this month.

One clue to Inmet's future is the appointment to the board of Mr Paul Gagné, chief executive of Avenor, a large North American pulp and newsprint producer.

Avenor has been through an extensive restructuring since being spun off by Canadian Pacific, the transport and resources group.

# US Healthcare hit by increased costs

By Lisa Bransten in New York

Shares in US Healthcare, a leading US provider of managed care services, fell 10 per cent to $43⅞ yesterday on concerns about increases in the company's medical costs, despite announcing fourth-quarter earnings slightly ahead of expectations.

The sell-off affected two other leading healthcare groups: United Healthcare, the biggest health maintenance organisation in the US, fell $2¼, or 4 per cent, to $61¼, and Oxford Health Plans fell $2¾, or 4 per cent, to $63¾. Oxford is due to report fourth-quarter results today.

Sparking the concerns was a statement by Mr James Dickerson, US Healthcare chief financial officer, that the medical costs as a percentage of the company's premium revenues could go up as much as 250 basis points.

But Mr Ed Keaney, an analyst at Volpewelty, said he believed that medical costs would only grow by 125 basis points.

Net income in the fourth quarter was $101m, or 65 cents a share, compared with $107m, or 67 cents, in 1994. Revenues rose from $757m to $954m.

For the full year, per share profits were flat at $2.42. Revenue was up 21 per cent to $3.5bn, reflecting a 22 per cent growth in enrolment. Medical costs as a percentage of premiums rose to 74.5 per cent last year from 69.3 per cent in 1994. In April, the company said that it expected medical costs to increase as it built membership.

However, in the final three months of the year medical costs dipped slightly to 74.7 per cent from 75 per cent in the third quarter.

Mr Joseph Sebastianelli, US Healthcare co-president and principal medical administrative officer, said the decrease came despite growth in enrolment of older patients on Medicare – the publicly-funded healthcare programme for the elderly – who generally require more medical services than younger members.

Earnings were hurt by an increase in operating costs, attributed to a redesign of the company's communications programme.

# Fresenius in line for a hat-trick with NMC deal

## Merger could create global leader in renal care, writes **Judy Dempsey**

When new management took over Fresenius, the German medical technology and pharmaceuticals company, in 1992, it set itself three goals.

It wanted to become one of the three leading renal care companies in the world – supplying kidney dialysis equipment and treatments – with the aim of capturing a global market share of 30 per cent. It also aimed to increase profits by cutting costs, and to build up new businesses and establish a greater international presence, mainly through buying small companies.

Two of the goals have already been achieved. Between 1990 and 1994, Fresenius' sales had doubled, to DM2bn ($1.3bn), with net profits totalling DM71m. Net profits for 1995 are expected to climb to DM99m, on sales of DM2.25bn. Total investment is forecast at DM200m. Over the same period, Fresenius, which employs more than 8,900, acquired small companies in France, the Netherlands, Turkey, Spain, Italy and the US, and set up joint ventures in China and India. Almost all the acquisitions had one thing in common: kidney dialysis treatment.

The acquisitions pushed up Fresenius' overall global market share in dialysis products from 14 per cent in 1987 to 20 per cent in 1994, in line with the management's strategic decisions made in 1992.

But yesterday's announcement that Fresenius is to merge with National Medical Care, a subsidiary of W.R. Grace, a leading US chemicals company, is a big step for the German company which has made dialysis production its core activity. One analyst said the deal would make the joint company "the biggest renal company worldwide".

Fresenius will take a 51.9 per cent stake in the new company, Fresenius Medical Care, while Grace will hold 44.8 per cent. NMC will incur debts of about $2.3bn, which it will borrow to pay directly to Grace.

NMC runs 624 dialysis centres, mainly in the US, and has more than 45,000 patients. Its network of centres has given NMC a 25 per cent market share in the US, outstripping any competition.

Furthermore, similar to Fresenius, dialysis treatment is NMC's core activity: in 1994, NMC's dialysis centres accounted for $1.3bn of total turnover of $1.9bn, while net earnings amounted to $107m. Turnover for 1995 is expected to reach $2.1bn.

NMC has its own filter production systems, a kidney treatment in which the patient's blood is pumped out, cleaned, and then pumped back about three times a week.

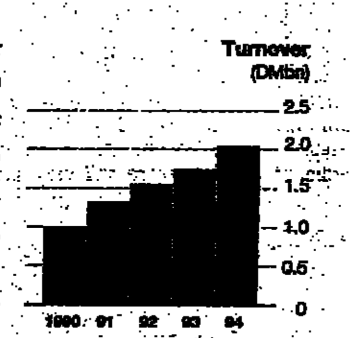
The alternative method being promoted by Fresenius – and used particularly in developing countries because it is less expensive – is a treatment whereby the patient can pump liquid into the system to clean it and pump it out again.

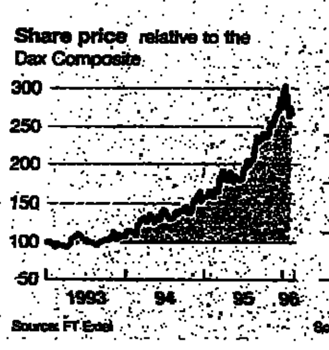
The NMC and Fresenius merger will allow the new company to tap the growing dialysis market in the industrial world, where demand for dialysis treatment is rising by between 7 per cent and 8 per cent a year.

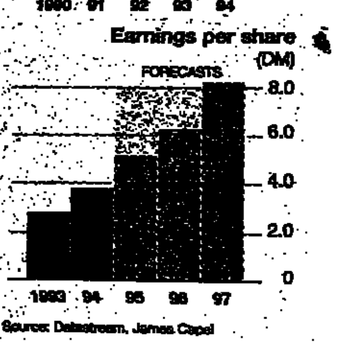
Analysts also see demand in Russia and China increasing, although these countries will face financing difficulties.

COMPANY PROFILE:
**Fresenius**

| | |
|---|---|
| Market capitalisation | $1.1bn |
| Main listing | Frankfurt |
| Historic P/E | 14.9 |
| Gross yield | 0.8% |
| Earnings per share | 1994: DM3.9 |
| Current share price | DM167 |








Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 08.02.96 Pool purchase price £/MWh | Final Prices for Trading on 08.01.96 Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 25.30 | 8.95 | 8.95 |
| 0100 | 53.42 | 12.71 | 14.45 |
| 0130 | 53.42 | 12.95 | 14.69 |
| 0200 | 53.42 | 12.95 | 14.69 |
| 0230 | 53.42 | 12.95 | 14.69 |
| 0300 | 49.00 | 12.71 | 14.45 |
| 0330 | 49.00 | 12.71 | 14.45 |
| 0400 | 25.30 | 12.71 | 14.45 |
| 0430 | 25.30 | 8.96 | 10.70 |
| 0500 | 25.30 | 8.96 | 10.70 |
| 0530 | 28.55 | 8.96 | 8.96 |
| 0600 | 28.55 | 8.95 | 8.95 |
| 0630 | 28.56 | 8.95 | 8.95 |
| 0700 | 31.95 | 9.03 | 9.03 |
| 0730 | 36.26 | 23.89 | 25.73 |
| 0800 | 50.14 | 24.01 | 25.76 |
| 0830 | 62.11 | 24.88 | 26.62 |
| 0900 | 62.63 | 29.04 | 30.81 |
| 0930 | 42.82 | 29.06 | 30.83 |
| 1000 | 41.79 | 38.70 | 41.46 |
| 1030 | 40.23 | 38.72 | 41.51 |
| 1100 | 40.02 | 38.72 | 41.51 |
| 1130 | 40.93 | 38.72 | 41.51 |
| 1200 | 42.64 | 38.50 | 41.28 |
| 1230 | 42.31 | 38.47 | 41.24 |
| 1300 | 41.02 | 36.43 | 38.20 |
| 1330 | 37.99 | 29.97 | 31.73 |
| 1400 | 36.27 | 29.97 | 31.73 |
| 1430 | 34.72 | 24.86 | 26.61 |
| 1500 | 34.20 | 24.85 | 26.61 |
| 1530 | 34.78 | 24.95 | 26.74 |
| 1600 | 39.83 | 27.03 | 28.54 |
| 1630 | 60.81 | 56.30 | 64.08 |
| 1700 | 117.52 | 95.51 | 110.87 |
| 1730 | 193.97 | 112.20 | 126.93 |
| 1800 | 208.37 | 96.36 | 108.42 |
| 1830 | 147.49 | 49.02 | 54.20 |
| 1900 | 85.41 | 36.23 | 39.21 |
| 1930 | 58.93 | 30.46 | 32.60 |
| 2000 | 35.85 | 29.42 | 31.25 |
| 2030 | 32.64 | 28.72 | 30.48 |
| 2100 | 31.96 | 24.68 | 26.43 |
| 2130 | 31.57 | 23.98 | 25.72 |
| 2200 | 28.94 | 23.42 | 25.16 |
| 2230 | 24.08 | 12.75 | 14.49 |
| 2300 | 23.59 | 8.95 | 8.95 |
| 2330 | 23.59 | 8.95 | 8.95 |
| 2400 | 9.12 | 8.95 | 8.95 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.99/MWh becomes 1.999p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.

INTERNATIONAL COMPANIES AND FINANCE

# Door closes on Daiwa's US network

## Some analysts think Sumitomo's acquisition of branches is prelude to merger, writes Gerard Baker

In 15 cities across the US yesterday the nameplates on yet another bank were being changed. Sumitomo, one of the world's largest financial institutions, completed the acquisition of most of the branches and offices of Daiwa, its fellow Japanese lender.

Daiwa was expelled from the US last November after the discovery of fraud at the bank's New York offices. Sumitomo took over the bulk of its assets last week just before the US-imposed deadline for Daiwa to shut its doors. But for a fee of $65m, what had Sumitomo acquired, and what had persuaded it to do the deal?

The history of Japanese banks in the US in the last decade has been a sorry tale of over-ambitious expectations and crashing disappointments, so Sumitomo was understandably anxious to put the best possible gloss on the acquisition. "This move strengthens and deepens our already very sound and profitable American operations," the bank said.

But the cynical view in Tokyo was that the deal was no more than the first move in the two banks' probable merger this year. "There was nothing intrinsically attractive about the Daiwa US operations for Sumitomo," says one financial analyst. "The decision was merely a necessary prelude, orchestrated by the Japanese authorities, to a merger between the two banks."

On the face of it, this appears highly plausible. Sumitomo is a much larger and stronger bank in the US than Daiwa, with total assets of more than $80bn, against Daiwa's $4.6bn.

And the circumstances of the acquisition suggest Sumitomo may have been a less than enthusiastic suitor. Daiwa's dismissal from the US dealt its global reputation a potentially mortal blow.

For the Japanese authorities, the best hope of salvaging the bank lay in a merger with a more powerful neighbour, and Sumitomo appeared to fit the bill. Within hours of the announcement of Daiwa's expulsion last November, government officials were talking warmly of strengthening the strong relationship between the two banks.

Sumitomo is anxious to correct the view that its hand was forced. It says the move is part of its strategy of expanding in the US. "This was nothing to do with any talk of a merger," says an official. "It was a market judgment based on a clear view of our own plans for the US sector."

If that is correct, it marks an important change for Sumitomo, one of the country's most aggressive banks, and may indicate an intention to revisit Japanese banks' unhappy experiences of a decade ago. In the 1980s, backed by swelling assets at home, and in pursuit of Japanese corporations which were moving abroad, the country's banks headed for the US with a brio born of confidence at their new found status as the world's largest lenders.

They carved out a big stake in US financial markets. By 1990, they accounted for more than 12 per cent of all loans in the US. Their glittering headquarters in New York marked them out as leading players in the world's largest market.

Their ambitions were also spurred by a spate of acquisitions. Some went for a niche in the broader lending market – Fuji bought the branch network of Heller, DKB acquired CIT, and Daiwa bought Lloyds Bank's branches. Others attempted to storm the citadel of US banking itself. Sumitomo's was one of the most spectacular – for a $500m loan it acquired an equity-participation share in the profits of Goldman Sachs, the investment bank.

But in a remarkably short time, most of these efforts had soured. A rash of problem loans forced the banks to retrench, and the Japanese proved inept at developing more profitable business. Sumitomo's involvement in Goldman Sachs was short-lived.

With the demise of their more lofty ambitions, the big Japanese lenders were forced back into high-volume but largely unprofitable business in the US in two specific markets – syndicated loans to the larger US companies, where spreads have been squeezed to uncomfortable levels; and a range of financial services for their Japanese corporate customers, where relationship rather than profit is what counts.

In an effort to break out of this corner, Sumitomo believes it has found real opportunities in Daiwa's operations.

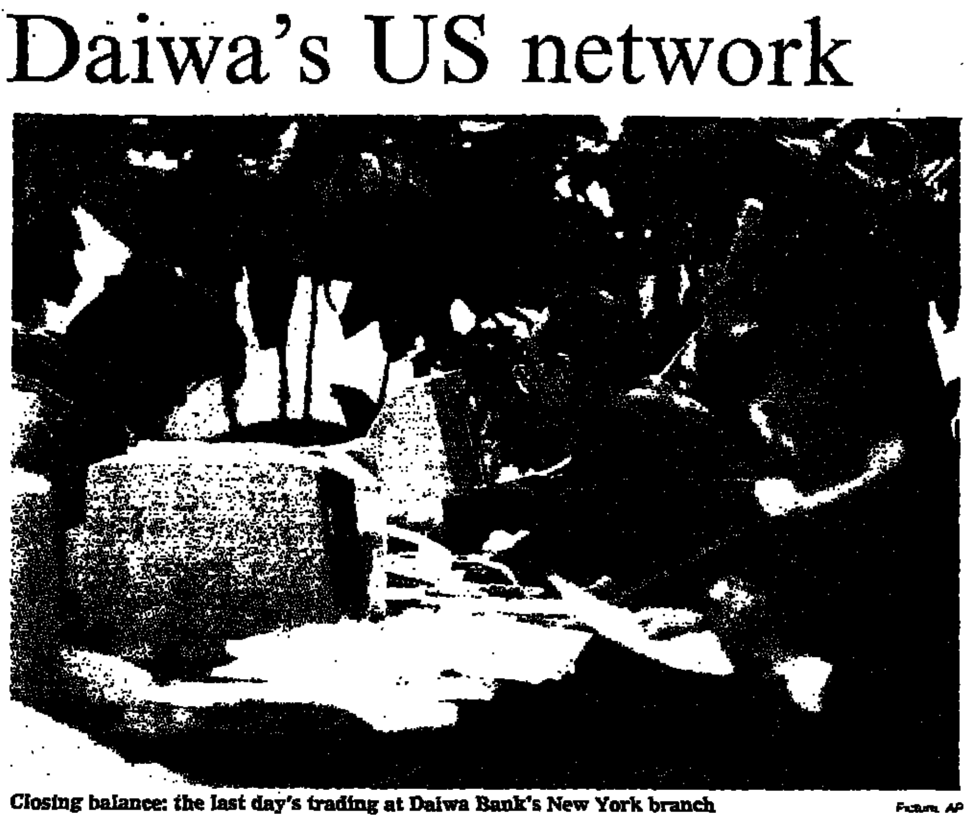
The trust business of Daiwa Bank Trust Company has a particular appeal. Though Sumitomo has its own trust banking operation, it has not run a fund management arm. It aims to channel its banking customers towards the new fund management business it acquired with the trust bank.

More important is the branch network, with outlets in cities as far apart as Miami and Minneapolis, bought by Daiwa from Lloyds Bank in 1989. The acquisition, Sumitomo says, will enable it to break into the more profitable business of servicing smaller and medium-sized companies. Sumitomo still has a large subsidiary in California, but lacks a nationwide network.

Yet there is no firm evidence that Sumitomo can succeed where others have failed. It undoubtedly has a more commercially oriented and aggressive culture, but it is not clear whether it has the necessary experience in the US to make a real breakthrough in an overcrowded market.

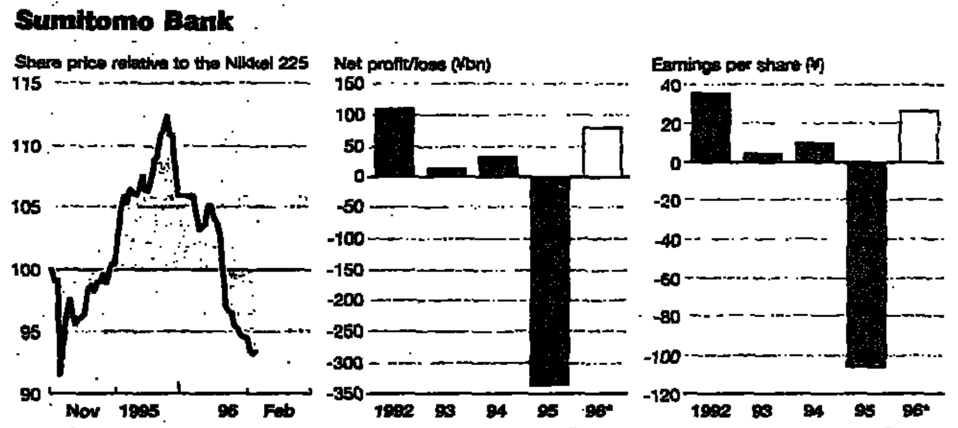
Even bank officials are couching their ambitions in the most cautious terms. "We will have to see how the branch network operates. We hope we will be able to expand it, but we cannot say for certain yet whether that will be possible," the bank says.

That may be soberly realistic, but it is hardly a ringing declaration of intent. Perhaps, after all, the cynics are right. Last week's agreement may not just signal the end of Daiwa Bank in the US. Sumitomo's big intentions for Daiwa seem to lie elsewhere.



Closing balance: the last day's trading at Daiwa Bank's New York branch Picture: AP

Sumitomo Bank




Source: FT Extel Year end March * Forecast * Forecast

# Income at Samancor increases by 105%

By Mark Ashurst in Johannesburg

Samancor, the South African ferro-alloys producer, reported a 105 per cent rise in attributable income, before an exceptional item, from R149.6m a year earlier to R305.9m ($83.8m) for the six months ended December 31, but cautioned it was unlikely to improve on this performance in the second half.

The Gencor-owned group doubled the interim dividend to 60 cents a share. Earnings per share rose 155 per cent to 201 cents from 79 cents.

Analysts welcomed the results. "Demand is flat but good. Volumes dictate profitability and this is as good as it's going to get," said one.

Mr Mike Salamon, Samancor's executive chairman, said the improvement reflected higher chrome volumes (which comprised 60 per cent of output compared with 44 per cent in the corresponding period of 1994), rising prices and a slightly weaker exchange rate. The dollar traded at an average R3.70, compared with R3.63 in the previous year.

Turnover increased 50 per cent to R1.9m. Income from associates rose 61 per cent to R31.1m as contributions from EMSA increased to R13m from R6m. Stainless steel manufacturer Columbus contributed R10m, up from R2m last year, but the final stages of its expansion absorbed R214m of Samancor funding during the period, bringing the group's total contribution to date to R914m before tax allowances.

In November, the group entered into a joint venture between its Manganese Metal Company and the Tosoh Corporation of Japan to market MMC's metal products through Tosoh. The Japanese producer had closed its production facility in Japan and transferred its manganese-aluminium briquetting plant to Nelspruit in South Africa.

The group had disposed of its 4 per cent holding in Ugine of France to its controlling shareholder, Usinor Sacilor, for $70m in cash. This was listed as an exceptional item.

ASIA-PACIFIC NEWS DIGEST

# Ansett plans to add 10 aircraft to fleet

Ansett, the Australian airline owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the Australian transport group, yesterday announced plans to add 10 aircraft to its fleet in order to expand both domestic and international capacity, a move it says will require a capital injection from its shareholders this year.

Ansett said that it was looking to add two Boeing 767s, one 737, and one 767-300, as well as six new Airbus A320s. Longer-term, Mr Ken Cowley, executive director at Ansett, said that the airline's strategy envisaged it having a fleet of 12 wide-bodied Boeing 767s, compared with the current seven.

The upgrade is aimed at addressing the need to offer increased peak-hour capacity on the main east coast business routes, and should also allow Ansett retire some of the noisier aircraft ahead of national deadlines. The Boeing 767-300 will be used on international routes.

Mr Cowley did not specify the size of the capital injection but said it would be substantial. He did not elaborate on how the capital contribution might be split between Ansett's shareholders given that TNT is currently seeking to sell its stake, in two stages, to Air New Zealand. That move ran into problems last month with New Zealand's Commerce Commission, the country's competition watchdog, but Air NZ has said it is confident the situation can be resolved.

*Nikki Tait, Sydney*

## Standard Chartered in Laos move

Standard Chartered Bank yesterday said it had received permission from the authorities in Laos to open a representative office in Vientiane, becoming the first non-Thai foreign bank to open in the country.

Standard Chartered said opening the office was part of its "Greater Mekong" strategy, which has seen offices open in Vietnam, Cambodia and Burma in the past five years. The representative office would focus initially on trade finance and inward investment. Foreign investment in Laos has increased since the country adopted economic reforms similar to those undertaken in Vietnam in the late 1980s.

Six banks from Thailand operate in Vientiane, mostly serving rapidly growing trade between the two neighbouring countries.

*Jeremy Grant, Ho Chi Minh City*

## Seven Network warns on profit

Shares in Seven Network, the Australian television network headed by Mr Kerry Stokes, the Perth-based businessman, fell 14 cents to A$3.96 yesterday, after it warned of a profits downturn in the second half-year.

The company, in which Mr Rupert Murdoch's News group holds a near-15 per cent interest, reported a jump in profits after tax from A$78.1m to A$91.9m (US$69.4m) in the six months to end-December. Earning per share were 29.7 cents, compared with 25.4 cents in the same period a year earlier, and revenues rose from A$334.6m to A$359.6m.

Mr Stokes said the results "underlined the significant progress achieved in the rebuilding of Seven's credibility with major advertisers and advertising agencies following last year's mishandling of Seven's advertising rate negotiations". He said that the main focus in the current year would be on developing more news and current affairs programming.

But Mr Gary Rice, managing director, warned that second half profits were likely to be down on those achieved in the first half.

"The first half, July to December, is traditionally much stronger in this business than the second half... I emphasise the second half I expect to be a very good strong half, but considerably down on the first half".

*Nikki Tait*

# Sumitomo Corp opens in Singapore

By William Dawkins in Tokyo

Japanese trading companies' investment drive into east Asia took a step forward yesterday when Sumitomo Corporation announced it would open venture capital units in Singapore and Taiwan.

Sumitomo is the fourth Japanese trader to set up a financial unit in Singapore in the past eight months, part of a trend among Japanese traders to increase investment and consultancy in Asia's emerging markets, a diversification from their traditional export/import businesses.

The group's wholly-owned Singaporean subsidiary, Sumicorp Capital Asia, will specialise in taking stakes in fast growing computer-related companies. Sumicorp and Sumitomo will at the same time take a 17 per cent stake in a new Taiwanese investment unit, Tonkong Capital, the rest of which is owned by three Taiwanese local manufacturing companies.

Substantial authority for Asian investments is to be transferred from Sumitomo's head office in Tokyo to the new units in Taiwan and Singapore, said a group official.

Several Japanese trading houses have chosen Singapore for their new Asian investment businesses, attracted by its lack of capital gains tax. Mitsubishi Corporation, the largest trading company, opened a Singaporean venture capital unit last July. Mitsui followed in December and Marubeni opened there last month.

The Marubeni unit exists at first to circulate Asian business and financial intelligence, plus adviee, around the group's subsidiaries and affiliates in the region. It plans to open an investment arm there later, said an official.

The growth in trading companies' new financial activities in Asia accompanies and services the expansion of Japanese industrial investment and trade in the region, the world's fastest growing market for Japanese goods.

As testament to this, Japan's trade surplus with the rest of Asia grew by 15 per cent last year to $70.75bn, easily eclipsing its surplus with the US for the third year running.

# BA disappoints with 30% third quarter rise

By Geoff Dyer

British Airways shares fell 19p to 502p yesterday, despite third-quarter pre-tax profits up 30 per cent, as the figures were at the bottom end of analysts' forecasts.

The improvement in pre-tax profits from £80m to £104m was achieved after a 9 per cent rise in turnover, which was above expectations, to £1.9bn (£1.74bn).

However, the market was disappointed by higher operating costs, which led to a more modest 3 per cent increase in operating profits to £152m (£148m) in the three months to December 31.

The shares were also affected by the January traffic figures, which showed a drop in passenger occupancy, and the preliminary "open skies" aviation deal struck between Germany and the US on Friday.

Higher fares helped the third-quarter yield, or revenues divided by distance travelled, to rise 1 per cent, after excluding exchange gains.

According to Mr Derek Stevens, chief financial officer: "As the industry has been recovering, so airlines have had to sell fewer highly discounted fares to fill seats."

Group operating expenditure was 9.2 per cent higher at £1.74bn (£1.6bn) and unit costs increased 5.9 per cent, which was above the company's forecasts. The increase reflected higher employee costs, increased customer service staff and greater marketing expenditure.

The January drop in the occupancy rate to 66.3 per cent (68.1 per cent) was partly the result of bad weather in the US, according to Mr Stevens, who added that passenger numbers had picked up in February.

Profits at the pre-tax level benefited from a lower interest charge of £50m (£55m) and a £12m loss last year on the sale of fixed assets.

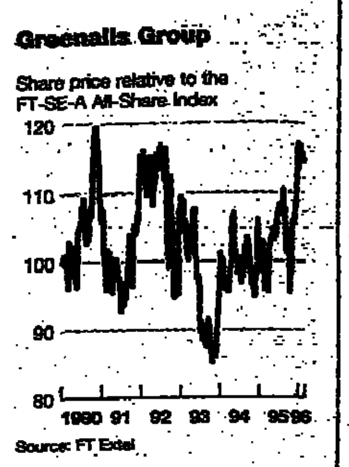
Earnings per share increased 42 per cent to 9.1p (6.4p).

● COMMENT

A falling market reacted a little too harshly to BA's figures. The yield increase, despite strong growth from lower-yielding long-haul traffic, surprised analysts. And even the higher costs prompted a mixed reaction. While some interpreted the rise as a permanent feature in response to competitive market conditions, others saw it as a one-off investment in new staff, in expectation of rising demand. Yet BA needs to make £36m in the fourth quarter to meet the lower end of analysts full-year profit forecasts of £570-595m. This could be hard work, given that it made only £23m in the fourth quarter last year. The volatile earnings of airlines mean that they usually trade at a discount to the market, and BA is now at a 10-15 per cent discount for the year to April, which seems about right. However, for the following year it is at a discount of nearer 25 per cent, which looks more interesting.

## LEX COMMENT

## Greenalls




The transformation of Greenalls in the 1990s has been spectacular. Six years ago, Greenalls was a dull regional brewing company, overshadowed by the government's campaign to stamp out monopolistic practices in the beer industry. Under Mr Peter Greenall, chief executive, it made unfashionable moves such as shutting its brewery and buying other regional pub companies. It is the accompanying share issues for these deals which have pushed Greenalls into the FTSE-100 index, rather than any dramatic outperformance. Nonetheless, its shares have outperformed Vaux by almost 100 per cent since 1990.

However, its elevation to the FTSE-100 may have gone to investors' heads. Greenalls is now the most highly rated FTSE-100 brewing/pubs company, based on current year forecasts. Of course, the benefits of its recent acquisition of Boddingtons should help boost earnings over the next few years. And it is an obvious beneficiary of any improvement in consumer confidence from recent tax cuts and building society pay-outs. Nonetheless, it is trading on the same market rating as Forte was, before Granada reared its head, without the same quality asset base.

It is also vulnerable to a new accounting rule due next year on depreciation of hotels and pubs. Greenalls depreciation charge amounts to half the capital expenditure it considers necessary to maintain the value of its operating assets. Increased depreciation would clearly hurt its shares. At current levels, the share price looks frothy.

# Hanson's sweetener fails to impress

By Norma Cohen and David Wighton

Hanson shareholders yesterday expressed serious concern at the suggestion that the industrial conglomerate might try to sweeten its proposed four-way demerger by offering a special dividend of up to £600m.

Institutions said it would exacerbate Hanson's problems rather than enhance shareholder value. "It's a bit odd because I don't know where the cash is coming from," one shareholder said. "They will have to borrow and gear up the rump company".

A fund manager at a leading life insurer said: "I would really rather they had produced a durable solution for going ahead. Are they slipping the institutions a bung to stop all the heckling?"

Hanson's share price fell another 4½p to 192½p yesterday after the possibility of the special dividend emerged.

Some analysts calculated that a special dividend could enhance earnings per share but most dismissed the idea. "It looks as if Hanson was flying a kite and it never left the ground," said one.

Mr Christopher Collins, Hanson vice-chairman, dismissed the suggestion that the special dividend was a "knee-jerk reaction" to the poor stock market reaction to the demerger proposals.

"A special dividend was considered right from the start of the planning process but at this stage we cannot rule it in or rule it out," he said.

Institutions usually welcome special dividends, not least because tax-exempt investors can claim a tax credit equal to 25 per cent of the net payment.

But in Hanson's case a special dividend would be less tax efficient because it does not have sufficient taxable UK profits against which to offset the advance corporation tax it pays on its ordinary dividends.

See Lex, Page 16

# Pet foods problems undermine Dalgety

By Roderick Oram, Consumer Industries Editor

Problems at the Spillers pet foods business undermined interim profits at Dalgety during a crucial period when the group was integrating its £442m purchase of Quaker's European pet foods.

Pre-tax profits before exceptionals for the six months to December 31 fell from £60.9m to £47m, at the bottom end of expectations and leading to moderate profit downgrades for the full year.

Spillers' profits had fallen by two-thirds from their peak of about £17m in the second half of 1993-94, one analyst estimated. "They had made some serious marketing mistakes and missed the move from matrix to chunky dog and cat foods," he said.

However Mr Richard Clothier, chief executive, said yesterday profits were recovering. The purchase of Quaker last spring had injected better technology, products and brands into Dalgety's pet foods. Pet foods in total contributed £16.5m (£11.6m) operating profits on sales of £387m (£160m).

As expected, Dalgety has increased its exceptional charge for integration to about £70m. The combined business would achieve annual cost savings of about £40m from next year, a year earlier than first forecast, Mr Clothier said.

Charges of £29.6m for reorganisation and £10m for a property revaluation were offset by a gain of £62m from selling Golden Wonder snacks, Pot Noodles and Homepride sauces. These left pre-tax profits at £69.4m (£60.9m).

Operating profits from food ingredients fell to £15.1m (£18.1m) on sales of £180m (£166m) mostly because of sharp price rises of wheat, soya and other raw materials. Price increases had since restored margins.

Profits from agribusiness rose to £20.7m (£16.6m) on sales of £769m (£675m) with most of the growth coming from pig breeding.

Since December 1994, the group has raised £298m from disposals, slightly less than it expected. The proceeds have reduced net debt from a peak of £451m to £281m last December. Gearing was down from 149 per cent to 66 per cent, the likely level for the next few years, said Mr John Martyn, finance director.

Fergus Wilkie

Climbing towards recovery: Richard Clothier backed by one of its pet food brands

● COMMENT

Dalgety has done well buying and integrating Quaker and disposing of most food manufacture. By early summer it will see how well the integrated petfood business works. Volume is the key to its profits. The old Spillers showed it was very fallible on driving that forward and the mistakes cost several senior people their jobs. Assuming the lessons have been learnt, pre-exceptional pre-tax profits could hit £120m this year and £150m the year after for a p/e of 13. Until profits get there, the shares are supported by gross yield approaching 7 per cent. Shareholders who like the current flavour of management might try a nibble or two.

# Coal Investments in battle for survival

By Peggy Hollinger

Coal Investments, the company founded two years ago by former British Coal commercial director Malcolm Edwards, was last night fighting for survival as efforts to secure short-term finance appeared to have run into difficulties.

The company, which suspended its shares in December pending a rescue refinancing package, needs some £10m to keep it afloat until it can launch a rights issue of up to £20m in the spring.

Coal Investments is understood to have sought financial help from its largest shareholder, the Stancroft Trust, and about £5m from one of its biggest customers, the generator National Power.

However, last night it was believed that the timing of any arrangements which Coal Investments might have been able to make did not meet with the approval of all of its bankers – National Westminster, Banque Indosuez, and UBS – which had agreed support until the cash call.

Mr Edwards was not available for comment yesterday, but further news is expected today.

As a result of shareholder pressure, Mr Edwards had already agreed to relinquish his role as chief executive in return for support of the rights issue. A replacement had recently been found, but was not yet due to be announced.

# GT Chile defiant in face of Regent bid

By Richard Wolffe

The power struggle over GT Chile Growth Fund intensified yesterday after the board threatened to order the compulsory sale of shares held by its opponent, Regent Kingpin Acquisitions.

The GT Chile board has been fighting a long battle against Regent, part of the Hong Kong-based Regent Pacific Group. In October it defeated an earlier Regent bid for the fund, which is registered in the Cayman Islands but listed in London.

Regent said that its new share-for-share offer, launched last month, has acceptances from shareholders representing more than 60 per cent of the fund. The GT Chile board dispute this figure.

The board yesterday urged shareholders who have accepted Regent's latest offer to take legal advice and withdraw their support for the bid.

Under the terms of its articles of association, the board could force the sale of shares if it felt that the shareholdings caused "a pecuniary or tax disadvantage to the company or any shareholders", the board said.

It argues that because Regent can close the bid with majority support, leaving a minority unable to redeem their shares, some shareholders will suffer.

Mr Peter Stevens, chairman of the GT Chile board, said: "It is the duty of the board to look after all the shareholders and if the Regent offer is not doing that, it is obligatory for us to ensure that all shareholders are looked after."

Regent Kingpin yesterday dismissed the board's actions as "ludicrous" and called on the board to resign. It said the articles of association were typical of Cayman Islands funds, and were normally used to protect their tax position.

Mrs Sophia Shaw, director of Regent Pacific, said: "It is extraordinary that the board is abusing its powers to remain in control. The majority of shareholders have already said they do not want the board to stay. They are burying their heads in the sand."

# Restructure costs behind WMI fall

By Peggy Hollinger

Waste Management International, the landfill and rubbish collection group, yesterday admitted to a disappointing performance in 1995, as it announced a sharp drop in annual pre-tax profits from £165.2m to £23.1m.

Mr Joseph Holsten, chairman, said pricing pressure in Italy had led to a performance "substantially below budgeted expectations", while France had also proved very difficult.

He was cautious about the trading outlook, saying the economic health of continental Europe remained "somewhat uncertain". However, steps had been taken to improve sales and margins throughout the group, which would eventually "bear good fruit", with improving cash flow a top priority.

WMI was expecting a significant improvement in positive cash flow this year, from £41m in 1995 to £70m, partly due to a a restructuring to focus on core waste businesses and to streamline management, he said. This would involve disposals, at least six of which were under negotiation.

The drop in profits was largely due to a £123.2m exceptional charge, foreshadowed in a December warning, to cover the reorganisation. At the operating level, profits fell by 7.6 per cent to £165m, on sales 5.8 per cent ahead to £1.18m.

The sales increase was partly due to the 25 acquisitions made during the year for a total cost of about £23m. The purchases, price increases and foreign exchange gains helped to offset an underlying 3.2 per cent fall in volumes during the year.

Mr Holsten said the group intended to expand its recycling business, adding 25-30 facilities at a cost of about £25m. Total capital expenditure this year was budgeted at £150m against 1995's £178m. One of the group's goals would be to improve the management of its recycling business, he said. "It is an area where we could have and should have done a better job in 1995," he said.

Again, the group did not declare a dividend. The loss per share after exceptional charges was 0.9p, against last year's earnings of 27.8p.

● COMMENT

Yesterday's subdued WMI offered little to encourage optimism in this set of results. Markets in most countries remain difficult, with only gradual improvements expected. But there is some comfort to be drawn from the management's restructuring, which may have come somewhat late, but is now well under way. This should enhance the marginal trading improvement over the next two years. Then, there is the fact that WMI, once one of the most highly rated waste stocks, now languishes near the bottom of the league. Further downside from its current rating of 12 times 1996 earnings – forecast at about £165m pre-tax – seems unlikely. Yet the upside, too, is limited. Profit taking from long-suffering shareholders may well keep the shares trading within a fairly narrow band for some time.

## NEWS DIGEST

# Suter makes more equipment disposals

Suter, the industrial conglomerate, is closing Clearplas UK, supplier of plastic injection moulded components to motor manufacturers, to concentrate on core operations.

The company is also selling Willmotts, which makes spectacle cases, to a management team.

The costs will be taken as an exceptional charge in Suter's 1995 results, which the company says will be in line with expectations.

The disposals are part of the group's programme of shedding its equipment side to concentrate on its refrigeration, specialist engineering and chemicals activities. *Joan Gray*

## S&N director's share sale

Mr Trevor Hemmings, an executive director of Scottish & Newcastle, the brewing and leisure group, has sold shares worth over £6m.

Mr Hemmings, chairman of S&N's leisure division, sold the shares in three tranches on February 2. The company said the shares were unconnected with any executive share option scheme and was unable to say at what price or when the shares had been purchased.

Last month, S&N announced the closure of two breweries as part of a restructuring which would cut 1,600 jobs. The move was part of the integration of Courage which was bought for £443m in August.

## Pillarcaisse acquisition

Pillarcaisse, the joint venture between Pillar Property Investments and La Caisse de Dépot et Placement du Quebec, has acquired the Mercat Shopping Centre, Kirkcaldy, for £13.25m from Standard Life Assurance.

Rental income from the centre is about £1.55m and the purchase price represents an equivalent yield of about 10 per cent. The purchase takes Pillarcaisse's investment portfolio to more than £70m since it was founded in July 1994.

The new owners plan a year-long £4m refurbishment for the centre to eliminate dead frontages and improve pedestrian circulation.

## VDC cost control pays off

Shares in VDC, the Aim-quoted animal healthcare products company, rose 25p to 650p after pre-tax profits jumped 27 per cent to £731,000 for the six months to November, reflecting its increased emphasis on cost control and sales growth. Turnover rose 19 per cent to £30.5m.

Centralised purchasing improved gross margins and further sales growth is anticipated from the endorsement of vets and the Kennel Club for Identichip, a process whereby a microchip is injected into the animal for identification purposes. There are currently 250,000 animals on the Identichip database.

Earnings per share are up 26 per cent to 28.44p.

## Spanish sales lift Bibby

Sales of new machines in Spain enabled J. Bibby, the capital equipment distribution, paper making and laboratory equipment manufacturer, to report increased pre-tax profits of £8.7m for the three months to December 30, against £7m.

The industrial and materials handling divisions also showed improvements on last year. The result was achieved on group sales up by 15 per cent.

Shares in the company, which is 78.9 per cent owned by Barlow Rand of South Africa, rose 7p to 128p.

# Integrated Optics seeks £5m from Aim float

By Christopher Price

Integrated Optical Components International hopes to raise £5m when the specialist electronic component maker comes to the Alternative Investment Market early next month.

The company, which issued its pathfinder prospectus yesterday, is looking for a valuation on the junior market of about £20m. The money is to be raised through a placing by Henry Cooke, Lumsden, the stockbrokers.

If there is sufficient interest, however, some shares may be allocated to private shareholders. A telephone service has been established with Sharelink, the execution-only broker.

IOC designs and makes opto-electronic components based upon lithium niobate chips. Typically, they are used to generate signals in fibre optic telecoms networks.

Its principal product modifies light passing down a fibre optic strand to enable it to carry information.

Pre-tax profits of £85,000 in 1995 compared with losses of £100,000 the previous year. Turnover in the same period rose from £1.03m to £1.6m. However, the results for the final quarter show profits of £84,000 on sales of £608,000. The order book stands at £1m.

The company's advisers justify the £20m float tag by the high-technology nature of the business and the expectation of rapid sales growth.

IOC was formed in 1991 by Mr Mike Powell, now managing director, Mr Adrian O'Donnell, technical director, and Mr Jake Dodson, production director, all formerly with GEC Marconi. The management holds a 25 per cent interest in the shares and foresees only a slight dilution on flotation.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| British Airways | 9 mths to Dec 31 ■ | 5,924 | (5,526) | 534 | (429) | 42.9 | (33.6) | - | - | - | - | |
| Dalgety | 6 mths to Dec 31 | 2,179 | (2,562) | 69.4♥ | (60.9♣) | 17.7† | (16.9) | 8.5 | June 3 | 8.5 | - | 12.4 |
| Henderson Admin | 9 mths to Dec 31 | 51.5 | (50.8) | 14.9 | (14.9) | 46.54 | (46.03) | - | - | - | - | 22 |
| VDCφ | 6 mths to Nov 30 | 30.5 | (25.7) | 0.731 | (0.577) | 28.44 | (22.5) | 5.5 | Apr 5 | 5.5 | - | 45 |
| Waste Management | Yr to Dec 31 | 1,180 | (1,115) | 23.1♥ | (165.2) | 0.9L | (27.8) | - | - | - | - | 19 |
| **Investment Trusts** | | **NAV (p)** | | **Attributable Earnings (£m)** | | **EPS (p)** | | **Current payment (p)** | **Date of payment** | **Corresponding dividend** | **Total for year** | **Total last year** |
| Fleming Claverhouse | Yr to Dec 31 | 261.8 | (208.8) | 4.37 | (4.52) | 7.8 | (8.37) | 2.15 | - | 1.92 | 6.1 | 5.67 |
| Mid Wynd Internat | 6 mths to Dec 31 | 431.2 | (398.8) | 0.185 | (0.21) | 2.78 | (3.2) | 2.75 | Apr 8 | 2.6 | - | 6.5 |
| US Smaller Cos | 6 mths to Dec 31 ■ | 202.6 | (155.8) | 0.19 | (0.178) | 0.38 | (0.36) | - | - | - | - | 0.5 |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣After exceptional charge. ♥After exceptional credit. †On increased capital. φAim stock. §USM stock. ■Comparatives restated.

## COMPANY NEWS: UK

# CentreGold 'in discussions with possible buyer'

By Paul Taylor

Shares in CentreGold, the lossmaking video and computer games software publisher and distributor, were suspended at 37p yesterday after it announced that it may have found a buyer.

A brief statement said it was in "advanced negotiations concerning a possible offer for the company", and that its delayed preliminary results for the period to August 4 would be announced when the negotiations are complete.

Although it gave no timetable, the negotiations, thought to involve an overseas buyer, are expected to be completed within about two weeks.

Industry speculation about possible bidders for CentreGold has centred on Japanese electronic games manufacturers such as Nintendo and Sony Computer Entertainment.

CentreGold, whose shares were floated at 125p in October 1993, was forced to issue two profit warnings last year, sending its shares plunging.

In August it said it was "exploring with a small number of major international partners the possibility of a strategic alliance which could further strengthen the group's resources for the next stage of development of the international interactive multimedia industry".

Yesterday's announcement was prompted by Stock Exchange rules that require the suspension of shares in companies which have not produced results within six months of the end of a reporting period.

At the end of last year Mr Martyn Savage, the group's managing director, announced that he was is stepping down. Mr Savage was one of three senior executives who helped float the company. The others were Mr Geoff Brown, chief executive, and Mr Tim O'Connell, finance director.

Since the float the cartridge market for video games has been "extremely turbulent" ahead of the arrival of a new generation of games machines, a fierce price war and the rise of the PC CD-Rom games market. As a result CentreGold's turnover has fallen sharply and the company has sunk into losses, reflecting lower margins, stock write-downs and reorganisation costs.

# Shifting foundations for brick and tile

## Redland intends to carry out a strategic business review. Andrew Taylor reports

A radical restructuring of the European roof tile and brick industries is on the cards following the decision by Redland, one of the UK's biggest building material companies, to conduct a strategic review of its businesses.

Robert Napier: plans were at an early stage

The outcome could substantially increase the lead by a large distance of Braas, Redland's 50.8 per cent owned German subsidiary, already Europe's biggest tile producer.

Redland and Braas between them generated sales of roofing products of about £1.5bn in 1994 and operating profits of £274m, the bulk of which was generated in on the continent.

A decision by Redland to transfer all or part of its tile business to Braas, for a mixture of cash and shares, would leave the German company with a substantial empire stretching from Scandinavia in the north to Slovenia in the south and from France in the west to Hungary and the Czech and Slovak republics in the east.

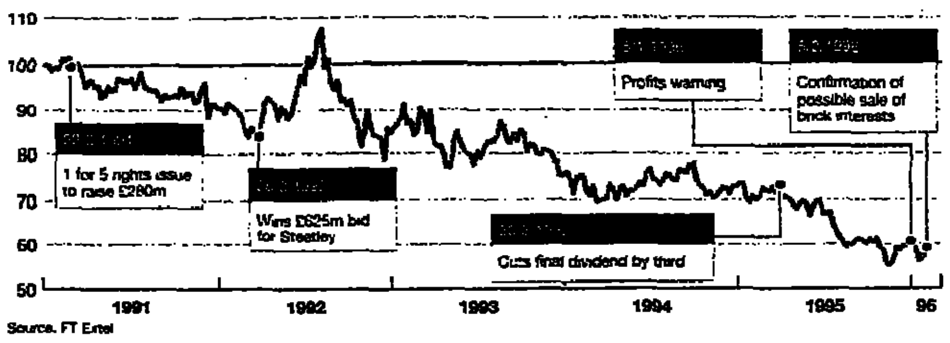
However, analysts suggest that minority shareholders, including Braas family members, may be reluctant to see Redland's stake rise much above 60 per cent.

The European brick industry is ripe for rationalisation with larger groups already wanting to expand beyond domestic boundaries.

The brick manufacturing arm of Hanson, the large conglomerate which plans to demerge, last week launched its first significant takeover outside the UK. It has agreed to purchase Desimpel Kortemark, one of the largest brick producers in the Benelux countries, in a deal worth about £195m including debt.

Hanson, UK market leader with 30 per cent of domestic brick sales, will become the largest European manufacturer ahead of Wienerberger, the Austria-based brick producer, which is market leader in Germany and which recently purchased brick interests in France and Italy.

**Redland**




Source: FT Extel

Wienerberger unsuccessfully bid for the UK brick manufacturing arm of Christian Salvesen - eventually bought last year for £63.5m by a management buy-out team.

Mr Lawrence Amboldt, construction analyst at MeesPierson said yesterday: "A purchase of Redland's brick business by Wienerberger would make an excellent geographical fit. Wienerberger is seeking to expand in Europe and is known to have been looking to make a purchase in the UK."

Redland is Britain's third largest brick manufacturer with a 17 per cent market share. It is also one of the biggest brick producers in the Benelux countries where it has a 35 per cent stake in Terca.

Other companies to have expressed an interest in purchasing its brick businesses include CRH, the Irish building materials group, and Boral and Pioneer, two large Australian resources and building material groups.

Redland's restructuring would leave Braas to focus on the European roofing business, in which the British group would retain a large stake. Redland would be left to concentrate on developing roofing markets outside of Europe and on expanding its quarries business in other parts of the world, drawing on the proceeds of disposals.

It is particularly keen to develop markets in south east Asia where it already has a foothold.

Mr Robert Napier, chief executive, said any plans were at an early stage. The company did "not expect to take action in the short term".

However, a sale of the brick division will not assist Redland's recent problems over advanced corporation tax and lack of UK earnings. This, however, could be alleviated if money was spent expanding the UK quarry operations.

The group does not need to raise money to strengthen its balance sheet. It remains unextended with net debt at the end of last year slightly over £500m compared with shareholders' funds of about £1.4bn, representing gearing of about 35 per cent.

# Granada and Forte downgraded

By Antonia Sharpe

**Moody's, the credit rating agency, yesterday cut the long-term ratings of Granada Group, the TV and leisure company, and Forte, the hotel company which it took over recently for £3.9bn, from Baa1 to Baa2.**

**About £1.1bn worth of debt securities are affected by the decision which leaves both companies' ratings just two notches above a speculative grade rating.**

**Moody's said the action reflected its expectation that the financial profile of Granada would weaken because of increased debt due to the Forte acquisition and the uncertainty regarding proposed asset sales which would enable Granada to reduce debt.**

**Granada has said it plans to sell Forte's Exclusive and Méridien hotel chains, which have a book value of £1.6bn.**

**Moody's said it believed that Granada's long-term strategy with regard to acquisitions could result in other debt-financed acquisitions.**

**Moody's said Forte's rating would remain on review pending a resolution by Granada of the standing of Forte's bonds within the new corporate structure.**

## NEWS DIGEST

# Cray sells 75% holding in ITMP

Cray Electronics is selling its 75 per cent voting interest in the IT Management Programme to a group formed by its management, for £4.5m cash.

The management group, Wentworth Research, already holds the remaining 25 per cent of ITMP, which operates a continuous subscription-based research programme. In the 12 months to April 30, it made an operating profit of £208,000 on a turnover of £1.35m and as at that date had net liabilities of £222,000.

Cray said it would receive a net cash benefit on completion of £3.3m and report an exceptional profit of £4.2m in its accounts for the year ending April 30 1996.

## Cementone makes £1.46m buy

Cementone, the paint and wood protection products group, has bought the Stanhope Division of Catomance, which makes remedial products, for £1.46m cash, subject to the approval of Cementone's shareholders.

The company also announced yesterday that it had been experiencing "difficult trading conditions", particularly because of rising raw material costs, but it still expected to turn in final results "marginally ahead of market expectations".

## Securities upturn at Inoco

A turnround in its securities trading activities in 1995 enabled Inoco, the USM-quoted property group, to report a near five-fold growth in annual pre-tax profits to £4.01m against £853,000.

Profits from securities trading amounted to £931,000 against losses of £2.89m on turnover of £13.6m (£3.21m). The property investment side, in a "generally flat" commercial property market, contributed £7.31m (£8.08m) on turnover of £9.04m (£9.8m). The sale of investment properties valued at £7.21m was the main reason for a fall in net rental income to £8.84m (£9.7m). A £1.39m loss (£1.33m profit) was incurred on the sale of such properties.

## In Brief

■ BLOOMSBURY PUBLISHING shares added 6p to 88p on the announcement of strong January sales with three books in The Sunday Times top 10 Bestseller lists.

■ GRAMPIAN HOLDINGS has acquired, through WH Malcolm, transport and warehousing subsidiary, a site in Newhouse, Lanarkshire, for £2.55m cash from Terex Equipment. The purchase comprises warehousing, workshops, office and storage facilities.

# Profits warning sends Ferguson down 10%

By Christopher Price

Shares in Ferguson International Holdings fell 10 per cent yesterday after the labels and coat-hangers group warned that pre-tax profits for the current year would be about £10m, compared with £12.8m last year.

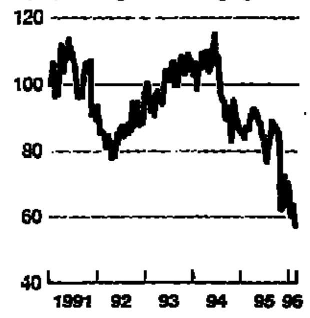
The company blamed margin pressure in its principal businesses of garment and food labels. In addition, trading at the hanger business, which was put up for sale in October, continued to be tough.

The profit figure for the 12 months to February 29 includes a £1.5m exceptional charge, taken in the first half, relating to the closure of the company's German operations.

Mr Ronnie Irving, managing director, said: "The retail and food markets are still proving very tough. We are having to endure raw material price rises without being able to pass them on." The food and garment label business accounts for roughly half of group operating profits and sales.

**Ferguson International**

Share price relative to the FT-SE-A Paper, Printing and Packaging Index




Source: FT Extel

A cost reduction programme, introduced in October, had resulted in a 5 per cent cut in staff and other efficiency measures were being undertaken. "We are taking some fundamental looks as to how we go about our business," Mr Irving said.

Negotiations on the sale of the hanger business were proceeding. But Mr Irving said the division's problems of high raw material costs and margin pressure continued to affect trading.

Ferguson's difficulties had been signalled at the interim results in October, when the company reported a 13 per cent decline in pre-tax profits and a disappointing start to trading in the second half.

The company ran into further problems in December when it was ordered to restate its 1996 accounts by the Financial Reporting Review Panel. The panel was concerned over the treatment of goodwill following the acquisition of Elswick, a rival labels producer, in September 1994.

The shares closed down 21p at 196p.

# Funds under management fall further at Henderson Admin

By Nicholas Denton

Pension funds have accelerated their withdrawal of money from Henderson Administration, the UK fund manager, in the three months to December. Their money with Henderson has halved in less than two years.

Funds under management from institutions fell from £2.9bn at the end of September to £2.35bn at the end of December, according to Henderson's quarterly results, announced yesterday.

Henderson managed £5.25bn of pension fund assets as recently as March 1994, but poor investment performance by the group has led to clients moving elsewhere.

Henderson had said at the time of its half-year results that it was on notice from seven clients with £300m under management. The actual decline of £550m suggests that there have been further defections.

But the decline was partially offset by the strength of Seligman Henderson, the group's US partnership. It contributed to growth in international funds from £1.45bn in March 1995 to £2.3bn at the end of December.

Henderson said that its mix of business was changing and that it had readied an office in Singapore as an Asian base. The company said that it viewed Asia as a source of funds as well as an area for investment.

Pre-tax profits for the nine months to December 31 were virtually unchanged at £14.9m. Total funds under management or administration declined to £13.4bn in December (£13.7bn).

# Marling pays $4.75m for Southern Weaving

By Tim Burt

Marling Industries, the industrial textiles company, has announced an international expansion plan designed to make it the world's largest supplier of seat belt webbing.

The company already claims to have 15 per cent of the $250m (£162m) global market supplying automotive manufacturers. It will now increase that share to 25 per cent following the acquisition of Southern Weaving, the North American seat belt subsidiary of Woven Electronics Corporation, the US textiles group.

It is to pay up to $4.75m (£3.1m) for the loss-making business, which serves manufacturers including Ford and Chrysler.

Marling is also to unveil a Chinese joint venture to serve Volkswagen's plant in Shanghai, China, a joint venture in Malaysia and a small acquisition in New Zealand.

The debt-financed acquisitions are expected to lift Marling's gearing from about 55 per cent to 78 per cent.

Most of Southern Weaving's production will be moved to Marling's existing industrial textiles plant in Canada.

# Elf buys out its partner in Agas

By Robert Corzine

Elf Petroleum UK, the British subsidiary of the Elf Aquitaine oil group, has bought out its 50 per cent partner in Associated Gas Supply, for an undisclosed sum.

In a move that could herald further restructurings in the UK independent gas sector, Elf bought the shares from Energy and Technical Services Group, a company ultimately controlled by CGE, the diversified French utility group.

In a statement, Elf said the purchase confirmed its commitment to the UK gas market, which is due to be opened to full competition in 1998.

Agas was formed in 1987, following deregulation in part of the gas market. It is one of the top suppliers to customers in the industrial and commercial markets which are now open to competition.

Fierce competition there is thought to be one reason why Energy and Technical Services decided to sell to Elf.

# Sears cuts more jobs on shoe side

By Peggy Hollinger

Sears, the UK's largest specialist retailer, yesterday announced further job losses in its shoe division following the sale of its Saxone and Curtess chains to Sheffield entrepreneur, Mr Stephen Hinchliffe, for an undisclosed sum.

The company said it expected to cut 300 jobs from the head office of British Shoe Corporation and its logistics division over the next 12 months as a result of the disposal. The deal will also generate positive cash flow of about £12m.

Mr Hinchliffe's private company, Facia, has bought 134 stores, with turnover of more than £60m and assets valued at about £10m. Following the acquisition, Facia will have more than 400 high street shoe shops throughout the country.

Facia has also agreed to acquire many residual short leasehold interests through the purchase of the Saxone company when the British Shoe restructuring is complete.

Mr Liam Strong, chief executive of Sears, said the disposal would allow the group to "achieve a clean separation from our non-core shoe businesses and simplify the overhead structure of the business." Sears would also now be free to "concentrate on the successful development of new shoe formats," which include the high street chain Shoe Express, and the out of town Shoe City outlets.

Mr Strong said the loss on the disposal and the cost of restructuring were included in provisions announced in the company's January trading statement.

Analysts welcomed the disposal, saying the sale price and risk of some leases reverting to Sears – which could force further provisions – were largely irrelevant. "In the circumstances, it is better to take that risk than to carry on with the trading situation as it was," said one analyst.





## CONTRACTS & TENDERS





## PLANT & MACHINERY





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## COMMODITIES AND AGRICULTURE

# Sugar surplus in 1995-96 forecast at 3.65m tonnes

By Alison Maitland

The world sugar surplus this season is expected to reach 3.65m tonnes following record output in Brazil and big increases in Australia, South Africa and Thailand, E.D. & F. Man, the London broker, says today.

Man puts production in the 1995-96 crop year at 120.6m tonnes raw value, or 1.7m tonnes higher than its September estimate. This would put production 4.4m tonnes above the previous year.

The increased estimate results from a projected rise in cane sugar output to a record 84.1m tonnes, 2m tonnes above the last estimate. Brazil makes up more than 80 per cent of the increase.

The broker also forecasts a rise in world consumption to 116.9m tonnes, from last year's 114.2m tonnes, thanks to growing demand in the Asian "Tiger" economies.

Man appears baffled by the continued strength of sugar prices, given this large projected surplus. It notes the lack of immediate supplies from Brazil, delayed shipments from Cuba and continued tight European Union sugar export supplies.

But it adds: "It is becoming increasingly difficult to explain the renewed support for prices at a time of widening projected supply surpluses.

"With the exception of the Australian exports, much of the anticipated increase in exportable tonnage has to be priced. The resulting producer pricing and the availability of new crop supplies should depress prices."

Man says that Brazil's combined crop is now estimated at about 12.8m tonnes, some 1.1m tonnes above last year's record. "The pace of production increase in Brazil continues to astound," it says.

Its exports rose strongly last year to reach a provisional 6m tonnes, making Brazil the world's largest exporter.

F.O. Licht, the German commodity statistics agency, last week revised its output forecast to 121.9m tonnes from its October estimate of 120.6m.

In its second outlook report for this season, it said falling import requirements should raise world sugar stocks by 4.4m tonnes to 42.8m. Stocks were expected to reach 36.8 per cent of consumption, compared with 33.7 per cent last season.

● The London Commodity Exchange reported the second highest monthly volume of trade in wheat futures last month since the exchange took over the contract in 1991. High grain prices led to greater interest in the UK and Europe, pushing volume to 10,221, nearly 50 per cent higher than a year ago.

# Eastern cuts tighten lead market

By Kenneth Gooding, Mining Correspondent

Present tightness in the lead market can be traced to big falls in output in China and Kazakhstan.

Preliminary statistics from the International Lead & Zinc Study Group show Chinese production fell by 12.4 per cent or 58,000 tonnes last year compared with 1994 while the suspension of production at the Chimkent smelter in September contributed to a fall of 29 per cent or 42,000 tonnes in Kazakhstan.

This resulted in a substantial cut in exports of lead – used mainly for making batteries – from these countries. The ILZSG estimates net exports from the former eastern bloc countries to the west dropped by 27 per cent, from the record 233,000 tonnes in 1994 to 150,000 tonnes.

The study group says this contributed to lead consumption exceeding supply by 106,000 tonnes in the western world last year compared with a 20,000-tonnes surplus in 1994.

World consumption of lead moved up by 2.3 per cent, or 125,000 tonnes, to 5.48m tonnes in 1995, according to the ILZSG. Demand in the western world alone reached a record 4.89m tonnes, up by 2.5 per cent.

Global lead mine output fell by 1 per cent or 28,000 tonnes to 2.676m, mainly because of big reductions in production in China and Australia where industrial strife at Mount Isa Mines had a significant impact in the first half.

World refined lead production increased by 0.1 per cent or 5,000 tonnes. The study group's preliminary assessments show that western world production of lead from secondary or scrap material amounted to 2.38m tonnes, representing 51.9 per cent of total output in the west, the same as in 1994.

● The study group estimates that world consumption of zinc rose for the third successive year, by 5.1 per cent to a new record of 7.53m tonnes. In the western world the exceptionally strong growth in demand in 1994 was maintained last year, consumption was up by 5.8 per cent to 6.21m tonnes.

Mine output recovered somewhat from the steep fall in 1993-94 with the global total increasing by 1.8 per cent to 6.94m tonnes. World zinc metal production was up only by 0.9 per cent to 7.19m tonnes. Zinc demand exceeded production for the first time since 1987 in the world as a whole – by 141,000 tonnes – and in the western world the deficit was 779,000 tonnes. Exports from the Commonwealth of Independent States and China to the west eased slightly last year, from 551,000 tonnes to 410,000 tonnes.

# Summit will seek to ensure 'food for all'

**Geoff Tansey on the heads of government food crisis meeting planned for November**

World leaders need to put their political commitment behind urgent action to eliminate hunger and create food security at the World Food Summit being held from November 13 to 17 this year, according to the UN Committee on Food Security.

Ending its 21st session in Rome on Friday, the intergovernmental committee called for the initial draft policy statement before it to have a "stronger, and more political, character" and for a short, action-oriented plan to achieve food security with specific, time-bound objectives and targets against which progress could be measured. It also called for preparation of a "hunger map" by the summit secretariat showing just where hungry people were – in cities, regions and nations around the world.

The summit is the brainchild of the UN Food and Agriculture Organisation's director general Dr Jacques Diouf. He argues that heads of government need to put their authority behind a commitment to ensure food for all – which requires wide-ranging action beyond the capacity of ministries of agriculture.

It will be the first such meeting of heads of government to consider food in the 50-year history of FAO.

"Eliminating present hunger and preventing future hunger is the aim," says the CFS's secretary Barbara Huddleston and also chief of the Food Security and Agricultural Policy Analysis Service in the FAO. Today, some 800m people go hungry, including 200m children. Unless the international community and national governments address the underlying causes of under-nutrition, namely poverty, 15 years from now there will still be around 750m hungry and undernourished people in the world, says Dr Diouf.

For Turkey's representative at the committee, Kemal Bedestenci, there is a sense of *deja vu*. He was also involved in the 1974 World Food Conference, which adopted the widely remembered but unfulfilled resolution that within a decade "no child will go to bed hungry".

The Summit is very important, he says. Political commitment is needed at local, national and regional level. For Mr Bedestenci, establishing clear objectives and targets and being specific about what should be done, by whom and at what level, are central to any hope of success.

A draft policy statement and plan of action will be discussed by a series of FAO regional conferences between March and July, with progress monitored by a working group from the CFS. These meetings are expected to propose specific objectives and targets for the plan, which will be discussed at the next full CFS meeting in September.

Government action is not expected to be enough, however. All those concerned with various aspects of food security at national and household levels are invited to contribute to the national reviews being developed as input to the summit. This includes private sector associations such as farmers' organisations, business and industry groupings as well as public interest non-governmental organisations. They are also being encouraged to contribute to the regional meetings and the summit itself.

The three elements that make up food security – availability, access and stability – have to be examined in today's circumstances according to Dr Hartwig de Haen, Assistant Director General, Economic and Social Policy Department.

One issue is the appropriate minimum safe cereal stock-to-utilisation ratio and the contribution of stock levels to cereal price instability. Stocks have fallen to what many regard as dangerously low levels, 14 to 15½ per cent below what the FAO has long seen as a minimum level of 17 to 18 per cent. Preliminary FAO work suggests lower carry-overs may be possible but the methods used assume one year in 20 stocks would be insufficient. This is unacceptable to the committee, which believes stocks should cover all contingencies, though there is no consensus yet on what the level should be, says Ms Huddleston.

Price instability also affects food security, especially for poor consumers. Globally, instability is linked to stocks and the operation of the market, says Jim Greenfield, head of the Commodity Policy and Programmes Service in FAO. For farmers, processors and millers, price instability means they cannot plan ahead. The challenge, he argues, is to develop instruments, such as futures markets, that can be used but which are not too sophisticated for most farmers to use.

For consumers, especially in developing countries where people buy food much closer to its point of origin and nearer to its raw form, unstable prices, with high peaks, can cause hunger. Such consumers need safety nets, food aid and other instruments that cushion the effects on the poor, he says, a theme he will be expanding at the Agra Europe conference in London later this month.

New guidelines are also needed to deal with land tenure problems, according to Mr Henri Carsalade, assistant director-general, Sustainable Development Department. Land tenure problems remain a major constraint for poor, small farmers and inhibit them from improving their land. He expects the summit to provide guidelines for action to replace those from the 1979 world conference on agrarian reform and rural development, which, he implies, are now obsolete.

So far, 50 heads of state have agreed to be patrons of the summit according to Dr Diouf, who is travelling extensively to drum up support.

The aim is for a "low cost, high impact summit", says summit secretary-general, Ms Kay Killingworth. The FAO has a summit budget of $1.2m and is using existing meetings, such as FAO regional conferences, to prepare for it. Other governments are expected to provide funding for specific activities and to support the participation of non-governmental organisations from the developing countries. Dr Diouf is also calling on governments not to hold expensive receptions and dinners during the summit and to donate the money saved to the special programme on food production in support of food security in low income food deficit countries.

Summit preparation comes at a hard time for FAO, where morale among many staff is at a low ebb, as activities are being squeezed after a budget cut of $60m from a projected $710m to $650m for the two years 1996-97 by the FAO conference in October 1995.

*For background papers and information on how to become involved, contact: Ms Kay Killingworth, Secretary General, World Food Summit, FAO, [Viale delle Terme di Caracalla] 00100 Rome, Italy. Fax: +39 6 5225-5249.*

# Philippines boosts incentives to foreign mine investors

By Edward Luce in Manila

The Philippines government yesterday unveiled another package of incentives to boost foreign investment in the country's once-moribund mining industry. The presidential directive, which follows the enactment of a mining liberalisation bill last year, offers overseas companies five extra investment tracks in addition to the right to make outright purchases of government mines.

"Until today foreign companies could bid only for ownership of government mining assets when they were tendered for privatisation," said Mr Gonzalo Santos, chief of the Asset Privatisation Trust in Manila. "These extra options give foreign investors much greater flexibility in deciding how to enter the Philippine mining industry."

Overseas interest in the gold and copper-rich Philippines mining sector, which provided more than 20 per cent of the country's export revenues in the late 1970s, surged last year when the government lifted restrictions on foreign ownership.

As well as having the chance to take full ownership of Philippine mines, foreign companies can also repatriate up to 100 per cent of profits. The government also slashed excise taxes on gold, copper and other metals.

The new options announced yesterday include the chance to enter into joint-venture agreements with the Philippine government to manage state-owned mines, fixed management contracts to operate government mines, build-operate-transfer agreements (where foreign investors return the asset to state ownership after managing it for an agreed period) a lease-purchase facility and a "securitisation" facility that allows the two parties to experiment with various equity arrangements.

"These new measures will help revive the Philippine mining sector," said Ms Minda Olonan, a mining analyst at James Capel Securities in Manila. "Foreign interest in the Philippines has already risen considerably."

## COMMODITIES PRICES

## BASE METALS

### LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1584.5-85.5 | 1607-8 |
| Previous | 1578-9 | 1600-1 |
| High/low | 1585/1583 | 1619/1598 |
| AM Official | 1583-84 | 1605-6 |
| Kerb close | | 1610-11 |
| Open int. | 223,488 | |
| Total daily turnover | 43,560 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | | |
|---|---|---|
| Close | 1350-55 | 1383-85 |
| Previous | 1340-50 | 1375-85 |
| High/low | | 1391/1380 |
| AM Official | 1350-55 | 1380-90 |
| Kerb close | | 1391-5 |
| Open int. | 4,960 | |
| Total daily turnover | 2,099 | |

■ LEAD ($ per tonne)

| | | |
|---|---|---|
| Close | 787.5-8.5 | 765-66 |
| Previous | 768-9 | 766-7 |
| High/low | | 769/761 |
| AM Official | 762-63 | 761.5-62 |
| Kerb close | | 764-5 |
| Open int. | 38,990 | |
| Total daily turnover | 8,909 | |

■ NICKEL ($ per tonne)

| | | |
|---|---|---|
| Close | 8375-85 | 8475-80 |
| Previous | 8545-55 | 8660-65 |
| High/low | | 8580/8460 |
| AM Official | 8400-5 | 8500-10 |
| Kerb close | | 8500-10 |
| Open int. | 42,534 | |
| Total daily turnover | 10,822 | |

■ TIN ($ per tonne)

| | | |
|---|---|---|
| Close | 6175-85 | 6215-20 |
| Previous | 6220-30 | 6255-60 |
| High/low | 6165 | 6240/6200 |
| AM Official | 6160-65 | 6200-205 |
| Kerb close | | 6240-5 |
| Open int. | 15,639 | |
| Total daily turnover | 4,048 | |

■ ZINC, special high grade ($ per tonne)

| | | |
|---|---|---|
| Close | 1053.5-4.5 | 1074-75 |
| Previous | 1057.5-8.5 | 1076-77 |
| High/low | | 1080/1074 |
| AM Official | 1053-53.5 | 1073.5-74 |
| Kerb close | | 1074-5 |
| Open int. | 80,214 | |
| Total daily turnover | 42,026 | |

■ COPPER, grade A ($ per tonne)

| | | |
|---|---|---|
| Close | 2562-64 | 2517-18 |
| Previous | 2576-78 | 2526-27 |
| High/low | 2560 | 2532/2510 |
| AM Official | 2560-63 | 2511-12 |
| Kerb close | | 2523-4 |
| Open int. | 190,951 | |
| Total daily turnover | 62,832 | |

■ LME AM Official £/$ rate: 1.5297
LME Closing £/$ rate: 1.5357

Spot: 1.5345 3 mths: 1.5311 6 mths: 1.5272 9 mths: 1.5232

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 116.95 | -0.85 | 117.10 | 116.60 | 371 | 2,269 |
| Mar | 116.45 | -0.95 | 117.40 | 116.10 | 4,590 | 22,243 |
| Apr | 115.25 | -0.85 | - | 116.00 | 11 | 1,083 |
| May | 114.15 | -0.75 | 114.70 | 114.00 | 389 | 8,842 |
| Jun | 112.85 | -0.70 | - | - | 10 | 712 |
| Jul | 111.85 | -0.65 | 112.40 | 111.80 | 171 | 3,051 |
| Total | | | | | 5,603 | 47,048 |

## PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 414.30-414.70 | | |
| Opening | 415.70-416.10 | | |
| Morning fix | 415.25 | 271.458 | 501.580 |
| Afternoon fix | 414.80 | 270.846 | 498.465 |
| Day's High | 415.80-416.20 | | |
| Day's Low | 414.10-414.50 | | |
| Previous close | 415.20-415.60 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 3.30 | 6 months | 2.71 |
| 2 months | 3.23 | 12 months | 2.51 |
| 3 months | 3.16 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 378.90 | 579.75 |
| 3 months | 384.00 | 586.20 |
| 6 months | 388.80 | 592.20 |
| 1 year | 398.00 | 604.20 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 414-417 | 270-272 |
| Maple Leaf | 428.30-428.90 | |
| New Sovereign | 97-100 | 63-65 |

## Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 413.0 | -1.7 | 415.0 | 412.8 | 617 | 1,231 |
| Apr | 415.9 | -1.6 | 419.3 | 415.6 | 255 | 129,504 |
| Jun | 418.4 | -1.5 | 421.3 | 418.2 | 2,523 | 32,034 |
| Aug | 420.1 | -1.4 | 421.8 | 420.3 | 619 | 10,602 |
| Oct | 421.9 | -1.2 | - | - | 30 | 4,243 |
| Dec | 423.7 | -1.0 | 426.0 | 423.6 | 1,142 | 13,147 |
| Total | | | | | 78,132 | 223,867 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Apr | 433.0 | -1.0 | 436.9 | 432.1 | 3,803 | 18,260 |
| Jul | 435.4 | -1.1 | 438.5 | 434.0 | 271 | 3,298 |
| Oct | 437.4 | -1.1 | 440.0 | 436.0 | 161 | 1,333 |
| Jan | 439.4 | -1.1 | - | - | 2 | 56 |
| Total | | | | | 4,237 | 22,947 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 143.80 | +3.55 | 144.75 | 141.50 | 3,016 | 4,723 |
| Jun | 145.20 | +3.55 | 146.00 | 142.50 | 479 | 2,429 |
| Sep | 146.45 | +3.55 | - | - | 12 | 75 |
| Dec | 147.70 | +3.55 | 146.75 | 146.40 | 1 | 46 |
| Total | | | | | 3,498 | 7,273 |

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 581.5 | -2.5 | 588.0 | 580.0 | 26,382 | 65,328 |
| May | 586.7 | -2.3 | 593.0 | 586.0 | 6,162 | 18,802 |
| Jul | 591.0 | -2.2 | 596.0 | 590.0 | 4,447 | 8,465 |
| Sep | 595.4 | -2.1 | 602.0 | 595.0 | 8,309 | 9,974 |
| Dec | 601.8 | -2.0 | 607.0 | 602.0 | 235 | 5,937 |
| Jan | 604.6 | -2.0 | 606.0 | 606.0 | - | - |
| Total | | | | | 45,636 | 110,769 |

## ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 17.55 | -0.25 | 17.93 | 17.50 | 34,937 | 74,099 |
| Apr | 17.16 | -0.22 | 17.49 | 17.16 | 20,087 | 59,326 |
| May | 17.04 | -0.15 | 17.25 | 17.01 | 9,125 | 40,898 |
| Jun | 16.95 | -0.11 | 17.10 | 16.93 | 4,497 | 38,606 |
| Jul | 16.85 | -0.12 | 17.00 | 16.84 | 1,172 | 29,309 |
| Aug | 16.86 | -0.05 | 16.91 | 16.86 | 1,979 | 15,391 |
| Total | | | | | 80,583 | 400,676 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 16.55 | -0.16 | 16.86 | 16.55 | 20,890 | 56,446 |
| Apr | 16.03 | -0.16 | 16.30 | 16.03 | 15,453 | 53,444 |
| May | 15.78 | -0.15 | 16.01 | 15.78 | 2,045 | 19,711 |
| Jun | 15.68 | -0.12 | 15.86 | 15.68 | 1,850 | 18,385 |
| Jul | 15.70 | -0.01 | 15.78 | 15.70 | 330 | 8,059 |
| Aug | 15.70 | +0.04 | 15.70 | 15.68 | 137 | 5,095 |
| Total | | | | | 190,111 | 40,546 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 51.70 | -1.56 | 53.50 | 51.50 | 20,830 | 36,387 |
| Apr | 48.85 | -0.77 | 49.90 | 48.70 | 6,100 | 15,894 |
| May | 47.15 | -0.32 | 47.80 | 47.00 | 1,470 | 10,382 |
| Jun | 46.40 | -0.12 | 46.50 | 46.15 | 431 | 10,667 |
| Jul | 46.45 | -0.07 | 46.55 | 46.25 | 478 | 6,241 |
| Aug | 46.80 | -0.17 | 46.90 | 46.80 | 27 | 5,076 |
| Total | | | | | 29,500 | 190,130 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 169.50 | +6.00 | 170.00 | 163.25 | 16,818 | 23,910 |
| Mar | 156.00 | +1.50 | 157.50 | 154.50 | 13,755 | 19,916 |
| Apr | 149.25 | - | 150.75 | 149.00 | 3,998 | 12,835 |
| May | 146.50 | -0.50 | 148.25 | 148.25 | 586 | 5,155 |
| Jun | 145.75 | -0.25 | 146.75 | 145.50 | 205 | 6,007 |
| Jul | 145.75 | -0.25 | 146.00 | 145.75 | 189 | 4,669 |
| Total | | | | | 34,815 | 79,428 |

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 2.225 | -0.242 | 2.370 | 2.180 | 21,705 | 32,393 |
| Apr | 2.005 | -0.070 | 2.040 | 1.960 | 3,647 | 18,080 |
| May | 1.945 | -0.054 | 1.975 | 1.925 | 3,323 | 17,025 |
| Jun | 1.920 | -0.027 | 1.940 | 1.900 | 1,220 | 11,748 |
| Jul | 1.900 | -0.009 | 1.910 | 1.885 | 1,036 | 9,834 |
| Aug | 1.875 | -0.014 | 1.890 | 1.870 | 841 | 9,210 |
| Total | | | | | 33,084 | 148,869 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 52.40 | -1.34 | 54.10 | 52.10 | 10,180 | 23,530 |
| Apr | 54.30 | -1.06 | 55.30 | 54.10 | 4,382 | 16,200 |
| May | 54.20 | -0.68 | 54.60 | 54.00 | 1,401 | 8,804 |
| Jun | 53.70 | -0.67 | 54.00 | 53.70 | 257 | 4,858 |
| Jul | 53.50 | -0.05 | 53.50 | 53.30 | 96 | 3,769 |
| Aug | 52.95 | +0.10 | 52.95 | 52.95 | 106 | 2,688 |
| Total | | | | | 16,248 | 80,848 |

## GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 122.45 | -0.90 | 123.00 | 122.70 | 183 | 2,227 |
| May | 124.25 | -0.90 | 125.10 | 124.25 | 302 | 3,585 |
| Jul | 126.20 | -0.90 | 126.50 | 126.50 | 8 | 520 |
| Sep | 111.75 | -1.15 | 112.50 | 111.75 | 10 | 178 |
| Nov | 113.25 | -1.00 | 114.00 | 113.25 | 69 | 1,263 |
| Jan | 115.00 | -1.00 | 115.50 | 115.00 | 50 | 43 |
| Total | | | | | 623 | 7,822 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 517.75 | -8.75 | 524.00 | 514.00 | 13,063 | 40,765 |
| May | 488.75 | -7.50 | 492.00 | 487.00 | 4,071 | 15,425 |
| Jul | 448.00 | -8.50 | 452.00 | 447.00 | 7,021 | 37,174 |
| Sep | 449.00 | -6.50 | 451.50 | 447.00 | 405 | 6,845 |
| Dec | 458.75 | -5.50 | 469.00 | 455.00 | 918 | 4,272 |
| Jul | 388.00 | -1.25 | 390.00 | 388.00 | 20 | 168 |
| Total | | | | | 25,498 | 104,653 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 361.50 | -5.25 | 365.00 | 361.00 | 31,614 | 175,581 |
| May | 365.25 | -5.25 | 368.25 | 364.50 | 13,027 | 137,458 |
| Jul | 362.25 | -4.25 | 364.75 | 361.00 | 8,486 | 92,245 |
| Sep | 311.25 | -3.25 | 313.00 | 310.25 | 1,143 | 28,768 |
| Dec | 298.75 | -2.00 | 300.25 | 298.00 | 6,078 | 60,900 |
| Mar | 304.25 | -2.00 | 305.25 | 303.25 | 711 | 4,248 |
| Total | | | | | 68,229 | 501,246 |

■ BARLEY LCE (£ per tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 113.75 | -0.60 | 114.00 | 114.00 | 11 | 720 |
| May | 115.50 | -0.50 | 116.00 | 116.00 | 5 | 389 |
| Sep | 107.90 | -0.85 | - | - | - | 29 |
| Nov | 110.25 | -0.50 | 110.75 | 110.25 | 36 | 192 |
| Jan | 113.50 | - | - | - | - | 32 |
| Total | | | | | 42 | 1,330 |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 723.75 | -15.50 | 736.00 | 723.00 | 23,318 | 79,726 |
| May | 732.75 | -14.50 | 744.00 | 732.00 | 8,055 | 37,410 |
| Jul | 737.75 | -13.75 | 748.00 | 737.50 | 5,834 | 35,858 |
| Aug | 735.50 | -14.50 | 743.50 | 735.00 | 220 | 3,209 |
| Sep | 718.00 | -10.50 | 721.50 | 716.00 | 341 | 2,978 |
| Nov | 704.50 | -10.25 | 711.00 | 704.00 | 7,127 | 40,985 |
| Total | | | | | 45,132 | 194,653 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 24.09 | -0.28 | 24.34 | 24.08 | 7,237 | 37,511 |
| May | 24.45 | -0.25 | 24.68 | 24.45 | 3,784 | 20,097 |
| Jul | 24.80 | -0.28 | 25.05 | 24.80 | 1,535 | 15,221 |
| Aug | 24.95 | -0.27 | 25.17 | 24.95 | 63 | 4,031 |
| Sep | 25.10 | -0.25 | 25.30 | 25.10 | 37 | 2,036 |
| Oct | 25.25 | -0.28 | 25.45 | 25.25 | 27 | 1,723 |
| Total | | | | | 13,204 | 87,077 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 229.1 | -4.3 | 232.5 | 229.0 | 6,028 | 39,367 |
| May | 232.1 | -4.4 | 235.3 | 231.9 | 4,510 | 21,840 |
| Jul | 233.3 | -4.2 | 236.0 | 233.1 | 2,708 | 18,654 |
| Aug | 232.9 | -3.6 | 235.0 | 232.9 | 363 | 3,158 |
| Sep | 230.0 | -3.2 | 231.2 | 230.0 | 77 | 2,463 |
| Oct | 223.9 | -2.1 | 225.4 | 223.8 | 17 | 1,402 |
| Total | | | | | 14,279 | 91,980 |

■ POTATOES LCE (£/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 200.0 | - | - | - | - | - |
| Apr | 174.0 | +2.5 | 174.0 | 169.0 | 82 | 916 |
| May | 197.6 | - | - | - | - | 9 |
| Jun | 325.0 | - | - | - | - | - |
| Nov | 105.0 | - | - | - | - | - |
| Total | | | | | 82 | 967 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | | | | | | |
|---|---|---|---|---|---|---|
| Feb | 1396 | +13 | 1400 | 1375 | 58 | 418 |
| Mar | 1385 | +5 | 1410 | 1381 | 26 | 454 |
| Apr | 1388 | +7 | 1410 | 1375 | 23 | 1,378 |
| Jul | 1300 | +25 | 1300 | 1280 | 82 | 1,381 |
| Oct | 1350 | +11 | 1350 | 1335 | 35 | 470 |
| Jan | 1375 | +5 | - | - | - | 34 |
| Total | | | | | 228 | 4,154 |

| | Close | Prev |
|---|---|---|
| BFI | 1481 | 1484 |

FUTURES DATA
*All futures data supplied by CMS.*

**Tea**
There was strong general demand this week reports the Tea Broker's Association. Brightest East Africans were keenly competed for at generally dearer rates. All others remained fully firm although some mediums tended 2-3p/kg easier. Offshore only fair demand with prices 3-4p/kg easier. Quotations: best available: 150-185p/kg, good: 130-145p/kg, good medium: 108p-123p/kg, medium: 96-105p/kg, low medium 92-95p/kg. highest price realised this week was a 185p/kg for a Kenya pl.1

## SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Mar | 904 | -14 | 911 | 903 | 4,711 | 20,802 |
| May | 925 | -12 | 933 | 925 | 2,046 | 18,033 |
| Jul | 946 | -12 | 953 | 948 | 375 | 10,414 |
| Sep | 966 | -10 | 973 | 965 | 205 | 35,309 |
| Dec | 984 | -11 | 993 | 984 | 668 | 12,505 |
| Mar | 1005 | -8 | 1010 | 1004 | 358 | 26,687 |
| Total | | | | | 8,584 | 133,611 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 1266 | -2 | 1275 | 1264 | 5,666 | 25,969 |
| May | 1291 | +2 | 1297 | 1289 | 4,017 | 28,186 |
| Jul | 1313 | -1 | 1317 | 1308 | 514 | 10,576 |
| Sep | 1335 | +3 | 1336 | 1333 | 281 | 10,596 |
| Dec | 1365 | +7 | 1365 | 1361 | 31 | 3,407 |
| Mar | 1392 | -1 | 1392 | 1392 | 20 | 7,046 |
| Total | | | | | 11,615 | 94,450 |

■ COCOA (ICCO) (SDR's/tonne)

| Feb 2 | Price | Prev. day |
|---|---|---|
| Daily | 931.63 | 927.48 |

■ COFFEE LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 2046 | -34 | 2100 | 2040 | 1,335 | 16,284 |
| May | 1874 | -18 | 1930 | 1870 | 1,598 | 11,799 |
| Jul | 1819 | -20 | 1873 | 1820 | 485 | 4,132 |
| Sep | 1795 | -20 | 1853 | 1800 | 79 | 2,260 |
| Nov | 1784 | -25 | 1835 | 1800 | 57 | 1,112 |
| Jan | 1783 | -10 | 1785 | 1785 | 24 | 102 |
| Total | | | | | 3,558 | 35,689 |

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 120.65 | -3.10 | 124.75 | 119.75 | 8,588 | 14,732 |
| May | 118.25 | -2.85 | 122.00 | 117.75 | 4,711 | 10,562 |
| Jul | 117.00 | -2.70 | 120.00 | 116.40 | 1,380 | 3,615 |
| Sep | 116.00 | -3.00 | 118.00 | 115.00 | 233 | 1,835 |
| Dec | 114.50 | -2.50 | 117.00 | 114.50 | 49 | 1,163 |
| Mar | 114.90 | -3.10 | 118.00 | 116.25 | 16 | 225 |
| Total | | | | | 14,977 | 32,166 |

■ COFFEE (ICO) (US cents/pound)

| Feb 2 | Price | Prev. day |
|---|---|---|
| Comp. daily | 112.52 | 114.41 |
| 15 day average | 105.24 | 104.21 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 10.90 | - | - | - | - | - |
| May | 11.51 | +0.20 | - | - | - | - |
| Jul | 11.51 | +0.20 | - | - | - | - |
| Total | | | | | - | - |

■ WHITE SUGAR LCE ($/tonne)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 368.9 | +0.1 | 369.2 | 367.3 | 809 | 9,158 |
| May | 354.9 | +0.9 | 355.0 | 353.0 | 498 | 11,561 |
| Aug | 336.5 | -0.2 | 339.0 | 338.4 | 242 | 5,629 |
| Oct | 312.5 | +0.7 | 313.0 | 312.2 | 175 | 4,001 |
| Dec | 303.8 | -0.3 | 304.0 | 303.7 | 25 | 2,552 |
| Mar | 300.8 | -0.3 | 301.5 | 301.5 | 5 | 597 |
| Total | | | | | 1,812 | 33,842 |

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 12.19 | +0.15 | 12.21 | 12.08 | 9,602 | 60,961 |
| May | 11.31 | +0.11 | 11.32 | 11.25 | 4,640 | 34,207 |
| Jul | 10.47 | +0.07 | 10.49 | 10.42 | 2,972 | 23,564 |
| Oct | 10.16 | -0.01 | 10.22 | 10.15 | 1,396 | 22,718 |
| Mar | 9.95 | -0.02 | 10.00 | 9.85 | 956 | 12,911 |
| May | 9.84 | -0.02 | 9.88 | 9.86 | 3 | 1,912 |
| Total | | | | | 19,575 | 157,261 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 85.86 | +0.28 | 87.00 | 85.12 | 3,216 | 19,399 |
| May | 86.38 | +0.12 | 87.20 | 85.61 | 2,637 | 15,186 |
| Jul | 86.45 | +0.30 | 87.30 | 85.75 | 2,027 | 9,871 |
| Oct | 80.10 | +0.62 | 80.10 | 79.40 | 112 | 1,940 |
| Dec | 77.78 | +0.45 | 77.85 | 77.50 | 1,894 | 12,472 |
| Mar | 78.50 | +0.55 | - | - | 20 | 1,000 |
| Total | | | | | 8,907 | 61,813 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Mar | 121.10 | -4.75 | 130.50 | 116.50 | 7,166 | 13,730 |
| May | 123.15 | -3.35 | 131.00 | 121.50 | 1,886 | 4,909 |
| Jul | 124.75 | -2.50 | 130.00 | 122.25 | 112 | 1,660 |
| Sep | 125.75 | -1.75 | 130.50 | 123.00 | 165 | 1,438 |
| Nov | 123.50 | -0.05 | 126.00 | 118.90 | 14 | 562 |
| Jan | 123.50 | -0.05 | 126.00 | 124.00 | 44 | 1,443 |
| Total | | | | | 9,387 | 23,875 |

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

## INDICES

■ REUTERS (Base: 18/9/31=100)

| Feb 5 | Feb 2 | month ago | year ago |
|---|---|---|---|
| 2177.8 | 2187.5 | 2113.4 | 2245.4 |

■ CRB Futures (Base: 1967=100)

| Feb 2 | Feb 1 | month ago | year ago |
|---|---|---|---|
| 248.30 | 248.11 | 246.78 | 234.76 |

■ GSCI Spot (Base: 1970=100)

| Feb 2 | Feb 1 | month ago | year ago |
|---|---|---|---|
| 195.44 | 194.93 | 207.42 | 177.30 |

## MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett Price | Day's change | High | Low | Vol | Open int |
|---|---|---|---|---|---|---|
| Feb | 64.100 | +0.325 | 64.475 | 63.750 | 3,880 | 14,239 |
| Apr | 64.600 | +0.675 | 64.700 | 63.825 | 3,752 | 32,642 |
| Jun | 62.250 | +0.425 | 62.375 | 61.925 | 1,897 | 16,010 |
| Aug | 61.450 | +0.550 | 61.550 | 61.250 | 1,716 | 7,782 |
| Oct | 62.425 | +0.575 | 62.450 | 62.150 | 1,089 | 7,099 |
| Dec | 61.800 | +0.600 | 61.900 | 61.625 | 566 | 3,553 |
| Total | | | | | 12,918 | 82,028 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Feb | 48.725 | +0.050 | 48.825 | 48.000 | 1,699 | 5,334 |
| Apr | 45.675 | -0.650 | 45.700 | 44.600 | 2,242 | 13,923 |
| Jun | 51.125 | +0.600 | 51.175 | 50.150 | 583 | 8,376 |
| Jul | 49.850 | +0.575 | 49.875 | 48.975 | 163 | 2,670 |
| Aug | 48.850 | +0.375 | 48.925 | 48.000 | 674 | 3,691 |
| Oct | 45.000 | +0.700 | 45.150 | 44.150 | 348 | 1,581 |
| Total | | | | | 5,783 | 37,321 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | | | | | | |
|---|---|---|---|---|---|---|
| Feb | 54.775 | +0.900 | 54.825 | 53.150 | 1,005 | 1,433 |
| Mar | 55.050 | +0.950 | 55.175 | 53.600 | 1,101 | 2,670 |
| May | 55.650 | +0.350 | 56.000 | 54.650 | 255 | 1,537 |
| Jul | 55.975 | +0.400 | 56.150 | 54.900 | 167 | 1,106 |
| Aug | 52.700 | +0.950 | 53.400 | 52.700 | 9 | 235 |
| Total | | | | | 2,537 | 6,981 |

## LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Feb | Apr | Feb | Apr |
| 1500 | 96 | 121 | 5 | 11 |
| 1600 | 6 | 54 | 10 | 44 |
| 1700 | 5 | 18 | 104 | 107 |
| ■ COPPER (Grade A) LME | Feb | Apr | Feb | Apr |
| 2500 | 72 | 97 | 5 | 50 |
| 2600 | 5 | 49 | 31 | 102 |
| 2700 | 5 | | 128 | |
| ■ COFFEE LCE | Mar | May | Mar | May |
| 1500 | 546 | 388 | - | 14 |
| 1550 | 496 | - | - | |
| 1600 | 446 | - | - | |
| ■ COCOA LCE | Mar | May | Mar | May |
| 900 | 16 | 45 | 12 | 20 |
| 925 | 6 | 31 | 27 | 31 |
| 950 | 4 | 21 | 48 | 46 |
| ■ BRENT CRUDE IPE | Mar | Apr | Mar | Apr |
| 1650 | 34 | - | 19 | - |
| 1700 | 12 | 20 | - | - |
| 1750 | 4 | 10 | 62 | - |

## LONDON SPOT MARKETS

| ■ CRUDE OIL FOB (per barrel/Mar) | | +or- |
|---|---|---|
| Dubai | $15.51-5.56w | -0.10 |
| Brent Blend (dated) | $16.93-6.95 | -0.08 |
| Brent Blend (Mar) | $16.61-6.63 | -0.13 |
| W.T.I. | $17.60-7.61w | -0.295 |

| ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) | | |
|---|---|---|
| Premium Gasoline | $167-169 | |
| Gas Oil | $177-178 | +6 |
| Heavy Fuel Oil | $99-101 | |
| Naphtha | $169-171 | |
| Jet fuel | $192-194 | +8 |
| Diesel | $178-180 | +6 |

*Petroleum Argus, Tel. London (0171) 359 8792*

| ■ OTHER | | |
|---|---|---|
| Gold (per troy oz)♣ | $414.50 | -0.90 |
| Silver (per troy oz)♣ | 581.5c | +8.0 |
| Platinum (per troy oz.) | $431.50 | +2.25 |
| Palladium (per troy oz.) | $141.00 | +3.50 |
| Copper | 119.0c | |
| Lead (US prod.) | 41.75c | |
| Tin (Kuala Lumpur) | 15.81m | -0.05 |
| Tin (New York) | 294.50c | -1.0 |
| Cattle (live weight)† | 118.09p | -1.51* |
| Sheep (live weight)†♣ | 130.96p | +0.84* |
| Pigs (live weight)† | 105.62p | -3.32* |
| Lon. day sugar (raw) | $326.5 | +2.4 |
| Lon. day sugar (wte) | $378.6 | -1.4 |
| Barley (Eng. feed) | 121.5u | |
| Maize (US No3 Yellow) | 150.5z | |
| Wheat (US Dark North) | Unq | |
| Rubber (Mar)♥ | 105.00p | |
| Rubber (Apr)♥ | 105.00p | |
| Rubber (KL RSS No1) | 384.0m | |
| Coconut Oil (Phil)§ | $740.0y | -5.0 |
| Palm Oil (Malay.)§ | $510.0y | -2.5 |
| Copra (Phil)§ | 476.0y | |
| Soyabeans (US) | 209.0 | -2.0 |
| Cotton Outlook'A' Index | 86.05 | -1.00 |
| Wooltops (64s Super) | 446p | |

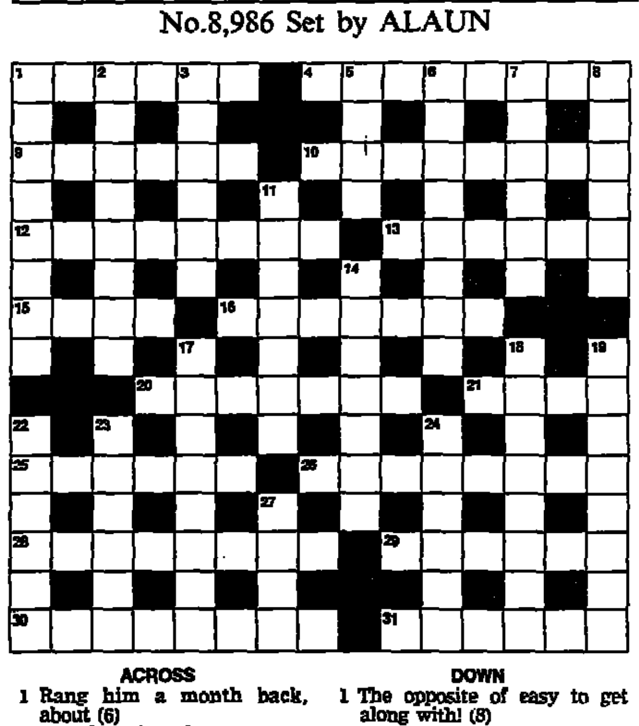
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Jan. u Feb. ♥ w Mar. y Feb/Mar. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

## JOTTER PAD



## CROSSWORD

No.8,986 Set by ALAUN



**ACROSS**

1 Rang him a month back, about (6)
4 An old crack in the wood (8)
9 Had to have, for the next half, two editors (6)
10 The higher commission is a blow (8)
12 Arrived as newspapers usually arrive in the post (6,2)
13 Claim a quarter after the legal wrangle (6)
15 Stood the wine (4)
16 By harsh contrast, allowed the nine incarcerated to be tortured (7)
20 Record the times (7)
21 Consequently as a double is not very good (2-2)
25 Catch the fish and come home drunk (4,2)
26 Left in a bizarre way to murder (8)
28 Is it washed on to the beach when the water's an inferno? (8)
29 Mend, or a preliminary to mending, after the operation? (6)
30 Fooling and giving the slip to, the day before (8)
31 Right to support the reigning monarch (6)

**DOWN**

1 The opposite of easy to get along with! (8)
2 High-minded person's contribution to the suggestions box? (8)
3 When people retire one by one? (6)
5 They came before "Hooray for fruit!" (4)
6 Not buying a drink: shy about it (8)
7 Marked stolen (6)
8 Seem about to collapse in summer (6)
11 Said it's a funny thing for the skeleton to have (7)
14 A last bitter ordered that went to father's head (7)
17 Find he is to be bound over (8)
18 What he has on the field when the batting team stays in? (4,4)
19 As one had got up at three, about (8)
22 Lifted up the sun-top – was curious about it (6)
23 A clue for "cry" might, but you'd deplore it (6)
24 What's wrong? He's getting all tangled up (6)
27 Intend to make it clear I must enter (4)

Solution to Saturday's prize puzzle on Saturday February 17.
Solution to yesterday's prize puzzle on Monday February 19.

## INTERNATIONAL CAPITAL MARKETS

# German sell-off drags down European prices

By Martin Brice in London and Lisa Bransten in New York

European government bonds were dragged down by a sell-off in the German market yesterday that was largely caused by technical factors, although investors kept one eye on the possibility of a delay to European Monetary Union.

Analysts pointed to comments from Mr Wolfgang Schäuble, the parliamentary leader of the ruling Christian Democrats in Germany, in which he said that they had been thinking about the possibility of postponing monetary union, as being of particular importance.

The high yielding markets produced mixed movements, with the spread of Italian bonds over bunds tightening while Spain moved out slightly.

Swedish bonds underperformed bunds on the back of continuing jitters over economic policy, which were compounded by an old story that its debt might be downgraded.

■ German government bonds of all maturities fell yesterday as they continued their weak tone of Friday, during which the future had fallen through the psychologically important level of 100.

Traders reported selling by speculative investors yesterday, and the bund future on Liffe fell 1.26 to 98.30 in very heavy volume of 322,000 contracts. The spread over 10-year Treasuries widened by 6 basis points to 34 points.

### GOVERNMENT BONDS

The yield on two-year bunds rose by 23 basis points, and that on 10-year paper by 13 points, with the spread between the maturities settling at 225 points.

Ms Mary Bloem, a bond strategist at Paribas Capital Markets, said around DM20bn of supply due in February was a concern. She added: "We think it is merely a correction and there is no doubt in our minds that the Bundesbank will cut the repo rate by 50 basis points in March and go back to a variable repo."

■ French government bonds avoided much of the sell-off in Germany and outperformed bunds, with the spread in the 10-years tightening by 6 points to 44 points.

On Matif, the March future settled at 121.66, down 0.76 while March Pibor fell 0.12 to 95.43. The yield on one-year paper rose 11 basis points while that on 10-year bonds rose 8 points, with the spread between the maturities at 195 points.

■ Italian government bonds outperformed bunds and the spread tightened by one basis point to 421 points, as some progress was made towards political stability.

On Liffe the March future closed at 111.50, down 0.62, while in the cash market the yield on two-year paper rose by 10 basis points and that on nine-year paper by 14 points.

SBC Warburg reversed its stance of being long on Italian bonds to being underweight. Mr John Hall, head of European economic research, said prime minister-designate Mr Antonio Maccanico had been having difficulties with the formation of a new government. "Over the next few days that will permeate the market and we will be exposed to uncertainty," he said.

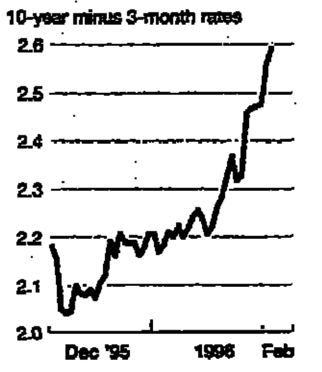
■ The European-wide sell-off included UK government bonds, which ignored domestic statistics that pointed to subdued January retail spending and a slight increase in the M0 measure of money supply.

The March future on Liffe closed at 108¼, down 1⅛ – although traders reported very little business in the cash market. The spread over bunds was static at 175 basis points.

■ The yield spread over bunds on Swedish bonds rose by 12 basis points to 255 points on a combination of continuing doubts over domestic economic policy and a re-run of Standard & Poor's views first expressed last January that Sweden risked being downgraded if it deviated from its tough fiscal programme.

**Germany**

10-year minus 3-month rates




Source: Datastream

■ US Treasury prices were lower in early trading as the dollar weakened and the market braced for a wave of new supply this week. The Treasury Department will be conducting its largest-ever quarterly refunding starting today.

Pressure was greatest at the long end of the maturity spectrum, which is where the new debt is set to be released. This afternoon, the Treasury will sell $18.5bn in three-year notes; tomorrow it will sell $14bn in 10-year notes; and on Thursday $12bn in 30-year bonds.

Near midday, the benchmark 30-year Treasury was down ⅜ to 109⅝, yielding 6.176 per cent, while the 9¾-year notes – whose maturities are closest to the 10-year paper to be sold on Thursday – were ⅜ lower at 101¼ to yield 5.697 per cent.

At the short end of the market, the two-year note fell ⅛ to 100⅛, yielding 4.933 per cent.

Also weighing on the market was a drop in the value of the dollar against the D-Mark and the yen. Traders attributed the decline to profit-taking on the heels of last week's gains and on a new consensus that the German economy might not be as weak as many had believed.

In early trading, the dollar was down nearly 2 pfennigs at DM1.4657 and more than a yen at Y104.93. A weak US currency is bad for Treasuries because it discourages international investors from holding dollar-denominated securities.

# Net redemptions at European funds

By Antonia Sharpe

European mutual funds had a difficult year in 1995, with an estimated $7.5bn net withdrawn over the year because of a poor result in France, J.P. Morgan said in its monthly review of European mutual fund flows.

The figure grows to $17.8bn if the UK is excluded. French Sicav funds alone suffered $49bn of net redemptions, corresponding to 15 per cent of total assets held at the start of 1995.

Money-market Sicavs were responsible for a large part of the outflows, but bond and equity funds accounted for almost 40 per cent of net redemptions.

Italy saw total outflows of $6.4bn from bond, equity and balanced funds, which is more than 8 per cent of the total asset value.

By contrast, Germany and the UK stood out as the two European countries which received new investment across the different categories.

Germany took in a total of $36.6bn net, almost 11 per cent of assets, and the UK took in $10.3bn, 6.9 per cent of assets.

Meanwhile, US mutual funds took in a net $175.9bn in 1995, or 21.1 per cent of total assets. In December alone, flows into US equity mutual funds reached a new peak with net subscriptions nearly doubling those of the previous month to $25.4bn.

International and global equity funds also saw record inflows, taking in $2.7bn and $1.3bn respectively.

J.P. Morgan said the increasing proportion of US flows into international funds should benefit European stock markets to some degree.

In the UK, flows into foreign equity funds bounced back to £252m in December after a weak November. The bulk of the new investments went to the Far East and Japan funds.

J.P. Morgan added that just under half of the institutional money was directed at Far East (excluding Japan) funds.

# Issuance restricted to FRNs

By Conner Middelmann

Sharp sell-offs in most government bond markets put a lid on primary eurobond activity yesterday, restricting issuance mainly to floating-rate note issues and one retail-targeted D-Mark deal.

The day's largest floater was a £150m issue of three-year notes for Compagnie Bancaire. The all-in cost was 13.5 basis points over Libor, and the paper was selling inside fees, said lead manager Goldman Sachs. "Everyone's looking for decent Libor-plus coupons," a syndicate manager said.

Another dealer was more sceptical, noting that "French credits are going through a difficult time – not a lot of people feel comfortable buying them."

It was this sentiment that prepared the ground for the World Bank's FFr500m, six-year issue yesterday, which got a friendly reception in France despite its fairly aggressive pricing, lead manager BNP said.

### INTERNATIONAL BONDS

The offering – whose proceeds will go towards the World Bank's single-currency loan programme – was priced to yield 2 basis points over French government bonds.

However, French investors have been so rattled by the poor performance recently of several French borrowers' bonds – especially Crédit Foncier, the troubled property lender – that they have been keen to buy franc-denominated bonds by highly-rated, foreign issuers.

This enabled GECC of the US and Austria's OKB to execute successful deals in the French franc market in recent weeks.

Lehman Brothers became the sixth US investment bank to tap the FRN market this year, with $100m of five-year notes. The bonds were sold at a yield of around 63 basis points over Libor, attracting banks and funds keen to pick up yield.

In addition, lead manager Lehman Brothers said: "The industry fundamentals are looking good: earnings in the securities business have been relatively stable lately, the rating agencies have got some banks on positive outlooks, and low US interest rates are always good for these types of companies."

Toyota Motor Credit Corp issued DM250m of long five-year bonds targeted at German and Swiss retail buyers which, despite the soggy underlying market, saw good demand, said lead managers CSFB and Salomon Brothers.

Meanwhile, Belgium is set to launch its long-awaited $500m issue of five-year bonds today at a spread of 15 to 18 basis points over Treasuries, via Morgan Stanley.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | | |
| Foreningsbanken‡ | 150 | (a) | 99.87R | Nov 2000 | 0.15R | - | Chemical Investment Bank |
| Finance Oneb§ | 100 | (2-2¾) | 100.00 | Jul 2001 | 2.50 | - | Lehman Brothers Intl |
| Lehman Brothers Holdings(c)‡ | 100 | (c1) | 99.456R | Feb 2001 | 0.375R | - | Lehman Brothers Intl |
| D-MARKS | | | | | | | |
| Toyota Motor Credit Corp(e) | 250 | 5.375 | 99.65R | Dec 2001 | 0.25R | +15(6¼%-01) | CSFB/Salomon Brothers |
| YEN | | | | | | | |
| Crédit Local de France• | 30bn | 2.60 | 100.19 | Feb 2002 | 0.275 | - | Nomura International |
| STERLING | | | | | | | |
| Compagnie Bancaire(d)‡ | 150 | (d1,s) | 100.03R | Mar 1999 | 0.125R | - | Goldman Sachs International |
| FRENCH FRANCS | | | | | | | |
| World Bank | 500 | 5.75 | 99.344R | Mar 2002 | 0.275R | +2(-) | Banque Nationale de Paris |
| ITALIAN LIRE | | | | | | | |
| European Investment Bank(e)‡ | 350bn | (e1,s) | 99.86R | Dec 1998 | 0.05R | - | BCI/BNL/JP Morgan Secs |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. +Unlisted. §Convertible. ‡ Floating-rate note. ‡Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +15bp. b) Fixed by Thursday. Conversion premium: 5-8%. Callable from Feb.98 subject to 140% hurdle. Redemption premium to yield Treasuries +50bp. 20% greenshoe. c) Callable on coupon dates from Feb.99 at par. c1) 3-mth Libor +50bp. d) Callable on coupon dates from Mar 98 at par. d1) 3-mth Libor +10bp. e) Fungible with L650bn. e1) 3-mth Libor -30bp. s) Short 1st coupon.

# Italian bonds register best return in January

By Martin Brice

Italian government bonds shrugged off investors' worries over political uncertainty in January to register the best return in local currency terms, according to J.P. Morgan.

Its Government Bond Index showed all markets producing a positive return except Japan, which fell 0.38 per cent in local currency terms.

"In Europe, an outlook for weaker than expected growth, the prospects of central bank rate cuts, and a hefty appetite for risk, helped make the high-yielders, particularly Italy, attractive to investors," said J.P. Morgan.

After Italy, France and Belgium were followed by the high-yielding markets of Spain and Sweden. Germany, the US and the UK were ranked 15th, 17th and 18th respectively.

"All European markets posted gains through most of the month, with some profit-taking and corrections – reflecting jitters about Emu – occurring late in the month," Morgan said.

In US dollar terms, most of the European markets posted negative returns with the exception of Italy, while New Zealand turned in the highest return, of 4.47 per cent on the month, after a very poor December.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 02/06 | 112.5850 | −0.590 | 8.14 | 8.11 | 8.35 |
| Austria | | 6.500 | 11/05 | 100.7000 | −1.100 | 6.40 | 6.21 | 6.41 |
| Belgium | | 6.500 | 03/05 | 99.8000 | −0.950 | 6.53 | 6.39 | 6.76 |
| Canada * | | 8.750 | 12/05 | 111.1900 | −0.860 | 7.14 | 7.13 | 7.27 |
| Denmark | | 8.000 | 03/06 | 104.6600 | −1.240 | 7.33 | 7.14 | 7.36 |
| France | BTAN | 7.000 | 10/00 | 105.7500 | −0.500 | 5.56 | 5.50 | 5.90 |
| | OAT | 7.250 | 03/06 | 104.8100 | −1.090 | 6.58 | 6.44 | 6.72 |
| Germany Bund | | 6.000 | 01/06 | 99.0900 | −1.040 | 6.12 | 5.94 | 6.10 |
| Ireland | | 8.000 | 08/06 | 103.1000 | −1.400 | 7.55 | 7.35 | 7.59 |
| Italy | | 10.500 | 09/05 | 102.5000 | −0.810 | 10.08† | 10.17 | 10.73 |
| Japan | No 129 | 6.400 | 03/00 | 117.4460 | −0.080 | 1.83 | 1.74 | 1.52 |
| | No 174 | 4.600 | 09/04 | 111.2830 | +0.110 | 2.96 | 2.94 | 2.77 |
| Netherlands | | 6.000 | 01/06 | 98.7000 | −1.460 | 6.18 | 5.95 | 6.10 |
| Portugal | | 11.875 | 02/05 | 113.7600 | −0.310 | 9.53 | 9.60 | 9.87 |
| Spain | | 10.150 | 01/06 | 102.1900 | −0.130 | 9.80 | 9.74 | 9.74 |
| Sweden | | 6.000 | 02/05 | 83.6750 | −1.520 | 8.69 | 8.45 | 8.58 |
| UK Gilts | | 8.000 | 12/00 | 103-28 | −17/32 | 7.03 | 6.79 | 6.87 |
| | | 7.500 | 12/06 | 98-08 | −35/32 | 7.74 | 7.47 | 7.53 |
| | | 9.000 | 10/08 | 108-29 | −39/32 | 7.87 | 7.64 | 7.68 |
| US Treasury * | | 5.875 | 11/05 | 101-07 | −28/32 | 5.71 | 5.67 | 5.73 |
| | | 6.875 | 08/25 | 109-11 | −39/32 | 6.18 | 6.07 | 6.08 |
| ECU (French Govt) | | 7.500 | 04/05 | 103.5700 | −0.940 | 6.96 | 6.87 | 7.05 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | 5.28 | Two year | 4.93 |
| Prime rate | 8½ | Two month | 5.08 | Three year | 5.06 |
| Broker loan rate | 7¼ | Three month | 5.02 | Five year | 5.29 |
| Fed.funds | 5¼ | Six month | 4.98 | 10-year | 5.69 |
| Fed.funds at intervention | - | One year | 4.88 | 30-year | 6.18 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 122.00 | 121.66 | −0.76 | 122.10 | 121.50 | 176,437 | 137,113 |
| Jun | 122.36 | 122.04 | −0.80 | 122.46 | 121.96 | 3,479 | 16,888 |
| Sep | 121.14 | 120.84 | −0.78 | 121.14 | 120.80 | 4 | 2,397 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | CALLS Mar | CALLS Jun | CALLS Sep | PUTS Mar | PUTS Jun | PUTS Sep |
|---|---|---|---|---|---|---|
| 120 | 1.88 | - | - | 0.24 | 0.68 | - |
| 121 | 1.08 | 2.19 | 1.95 | 0.46 | 1.15 | 2.17 |
| 122 | 0.55 | 1.66 | - | 0.88 | 1.63 | - |
| 123 | 0.22 | 1.15 | - | 1.56 | 2.09 | - |
| 124 | 0.06 | 0.76 | - | - | - | - |

Est. vol. total, Calls 33,614 Puts 34,410. Previous day's open int., Calls 199,463 Puts 179,470.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 99.26 | 98.34 | −1.22 | 99.34 | 98.15 | 330246 | 241819 |
| Jun | 98.46 | 97.52 | −1.20 | 98.46 | 97.33 | 3314 | 13474 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | CALLS Jun | PUTS Mar | PUTS Apr | PUTS May | PUTS Jun |
|---|---|---|---|---|---|---|---|---|
| 9800 | 0.78 | 0.62 | 0.87 | 1.07 | 0.44 | 1.10 | 1.35 | 1.55 |
| 9850 | 0.50 | 0.43 | 0.66 | 0.86 | 0.66 | 1.41 | 1.64 | 1.84 |
| 9900 | 0.29 | 0.29 | 0.49 | 0.68 | 0.95 | 1.77 | 1.97 | 2.16 |

Est. vol. total, Calls 65085 Puts 37920. Previous day's open int., Calls 259278 Puts 212325

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 111.70 | 111.40 | -0.72 | 111.70 | 110.83 | 54412 | 63804 |
| Jun | 111.01 | 110.92 | -0.69 | 111.01 | 110.80 | 308 | 4448 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Mar | CALLS Jun | PUTS Mar | PUTS Jun |
|---|---|---|---|---|
| 11100 | 1.13 | 2.22 | 0.73 | 2.30 |
| 11150 | 0.86 | 1.97 | 0.95 | 2.55 |
| 11200 | 0.64 | 1.74 | 1.24 | 2.82 |

Est. vol. total, Calls 2743 Puts 4946. Previous day's open int., Calls 85538 Puts 75447

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.69 | 95.22 | −1.04 | 95.77 | 95.20 | 76,899 | 52,564 |
| Jun | – | 94.98 | – | – | – | – | 1 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 109-11 | 108-16 | -1-06 | 109-14 | 108-10 | 97186 | 140774 |
| Jun | - | 107-25 | -1-05 | - | - | 0 | 1452 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Mar | CALLS Apr | CALLS May | CALLS Jun | PUTS Mar | PUTS Apr | PUTS May | PUTS Jun |
|---|---|---|---|---|---|---|---|---|
| 108 | 1-08 | 1-09 | 1-33 | 1-52 | 0-38 | 1-23 | 1-47 | 2-02 |
| 109 | 0-37 | 0-47 | 1-05 | 1-22 | 1-05 | 1-61 | 2-19 | 2-38 |
| 110 | 0-17 | 0-28 | 0-47 | 0-62 | 1-49 | 2-42 | 2-61 | 3-12 |

Est. vol. total, Calls 6075 Puts 6217. Previous day's open int., Calls 35902 Puts 29371

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 90.94 | 90.58 | −0.76 | 90.94 | 90.46 | 2,238 | 6,897 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 119–14 | 119–02 | –0–15 | 119–14 | 118–28 | 428,218 | 329,050 |
| Jun | 118–30 | 118–17 | –0–17 | 119–26 | 118–12 | 2,305 | 36,676 |
| Sep | 118–04 | 117–31 | –0–16 | 118–04 | 118–15 | 519 | 6,112 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 120.05 | - | - | 120.13 | 120.00 | 2847 | 0 |
| Jun | 118.52 | - | - | 118.58 | 118.49 | 1235 | 0 |

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Mon Feb 5 | Day's change % | Fri Feb 2 | Accrued interest | xd adj. ytd | | Low coupon yield Feb 5 | Feb 2 | Yr. ago | Medium coupon yield Feb 5 | Feb 2 | Yr. ago | High coupon yield Feb 5 | Feb 2 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (22) | 123.24 | −0.16 | 123.47 | 2.58 | 0.45 | 5 yrs | 7.10 | 6.97 | 8.57 | 7.14 | 7.03 | 8.58 | 7.22 | 7.09 | 8.75 |
| 2 5-15 years (21) | 149.07 | −0.90 | 150.42 | 3.05 | 0.00 | 15 yrs | 7.94 | 7.79 | 8.46 | 7.96 | 7.82 | 8.58 | 8.07 | 7.90 | 8.78 |
| 3 Over 15 years (8) | 163.31 | −1.31 | 165.48 | 2.85 | 1.02 | 20 yrs | 8.04 | 7.90 | 8.42 | 8.06 | 7.94 | 8.56 | 8.15 | 7.97 | 8.69 |
| 4 Irredeemables (6) | 186.89 | −1.43 | 189.61 | 2.88 | 0.00 | Irred.† | 8.12 | 7.99 | 8.47 | | | | | | |
| 5 All stocks (57) | 143.89 | −0.73 | 144.96 | 2.89 | 0.34 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Feb 5 | Feb 2 | Yr. ago | Inflation 10% Feb 5 | Feb 2 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 197.81 | −0.18 | 198.16 | 2.47 | 0.00 | Up to 5 yrs | 2.63 | 2.53 | 3.79 | 1.41 | 1.31 | 2.52 |
| 7 Over 5 years (11) | 186.99 | −0.94 | 188.77 | 1.33 | 0.00 | Over 5 yrs | 3.67 | 3.59 | 3.88 | 3.48 | 3.40 | 3.70 |
| 8 All stocks (12) | 187.11 | −0.92 | 188.85 | 1.35 | 0.00 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Feb 5 | Feb 2 | Feb 1 | Jan 31 | Jan 30 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 94.19 | 94.88 | 95.29 | 95.31 | 95.58 | 91.37 | 96.34 | 90.22 |
| Fixed Interest | 113.43 | 113.88 | 113.85 | 114.07 | 114.12 | 105.57 | 115.23 | 108.77 |

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Feb 2 | Feb 1 | Jan 31 | Jan 30 | Jan 29 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 91.5 | 88.2 | 138.4 | 119.6 | 94.5 |
| 5-day average | 106.0 | 107.2 | 108.4 | 97.6 | 93.4 |

## UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 5

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| U.S. DOLLAR STRAIGHTS | | | | | |
| Abbey Natl Treasury 5 97 | 1000 | 99¼ | 100 | -⅛ | 5.26 |
| Abbey Natl Treasury 6½ 03 | 1000 | 102¼ | 102½ | -½ | 6.10 |
| ABN Amro Bank 7¼ 05 | 1000 | 105⅝ | 105⅞ | -⅞ | 6.40 |
| African Dev Bk 7⅜ 23 | 500 | 105½ | 106 | -1 | 6.92 |
| Alberta Province 7⅝ 98 | 1000 | 105⅞ | 106⅛ | -⅛ | 5.26 |
| Asian Dev Bank 6¼ 05 | 750 | 101⅞ | 102 | -⅞ | 6.08 |
| Austria 8½ 00 | 400 | 110¼ | 110½ | -⅛ | 5.55 |
| [illegible] | | | | | |
| Sweden 8 97 | 2500 | 105⅞ | 107 | -¼ | 3.85 |
| United Kingdom 7⅛ 97 | 5500 | 105¾ | 105⅞ | | 3.82 |
| Volkswagen Intl Fin 7 03 | 1000 | 103¾ | 104¼ | -⅞ | 6.33 |
| World Bank 0 15 | 2000 | 29¼ | 29⅝ | -1⅜ | 6.38 |
| World Bank 5⅞ 03 | 3000 | 99⅝ | 99¾ | -1 | 5.93 |
| SWISS FRANC STRAIGHTS | | | | | |
| Asian Dev Bank 0 16 | 500 | 36 | 38 | +⅛ | 5.24 |
| [illegible] | | | | | |
| Abbey Natl Treasury 8 03 £ | 1000 | 100 | 100¼ | -⅞ | 7.99 |
| Alliance Leics 11⅜ 97 £ | 100 | 105⅝ | 106 | -⅛ | 6.52 |
| British Land 8⅞ 23 £ | 150 | 91 | 91¾ | -1⅛ | 10.07 |
| Denmark 6¾ 98 £ | 800 | 99⅞ | 100⅛ | -⅛ | 6.78 |
| EIB 8 03 £ | 1000 | 101¼ | 101⅜ | -⅞ | 7.78 |
| Halifax 10⅜ 97 £ | 100 | 104 | 104¼ | -⅛ | 6.39 |
| Hanson 10⅜ 97 £ | 500 | 105½ | 105¾ | | 6.81 |
| [illegible] | | | | | |

FLOATING RATE NOTES

[illegible]

CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

# CURRENCIES AND MONEY

**MARKETS REPORT**

# Dollar slips on profit-taking and growth worries

By Philip Gawith

The dollar's New Year rally ran into the buffers yesterday as a reassessment of US and German growth prospects prompted heavy selling in bond and currency markets.

The dollar fell to its lowest level in two weeks, closing nearly two pfennigs lower in London at DM1.4693 from DM1.4872 on Friday. Against the yen it finished at Y105.12, from Y106.68.

The catalyst for the dollar's fall was an unexpectedly strong set of German output data, which prompted some reassessment of the likely fall in German interest rates. Longer dated euromark futures contracts fell by more than 20 basis points and short sterling contracts also fell across the board.

From a technical perspective, the dollar's losses do not represent a break of the upward trend, underway since October. This caused some observers to describe it as no more than a healthy correction before the upward move is continued. Others maintain that the dollar's inability to break through key resistance levels casts doubt on the sustainability of the rally.

Sterling benefited from the weaker dollar, closing at \$1.5327, from \$1.5189, but lost ground against the D-Mark to close at DM2.252 from DM2.2589.

In Europe the D-Mark was stronger against most currencies. It closed at FFr3.44 against the French franc, from FFr3.435.

■ The dollar's correction was a continuation of the move that started in the yen last Friday, amid talk that the US authorities, under pressure from US auto manufacturers, would not sanction a move above Y110.

Yesterday's move flowed more from the German industrial production data, read together with last Friday's US jobs report, which was much weaker than the market had expected. Mr Michael Burke, economist at Citibank in London, said: "It is difficult to build a dollar rally on a story of economic slowdown."

He said the market had recently focused on the problems in the German economy to the exclusion of developments in the US. "The idea that it is only Germany that it is going to be cutting short rates this year is misplaced." He said the dollar's inability to break above DM1.5050 and SFr1.2260 repeated the pattern of recent years whereby the dollar was unable to sustain an initial rally.

Many investors, especially in the speculative community, were also ready to take profits. They had become very long of the dollar last month, following positive comments from senior financial officials, such as Mr Hans Tietmeyer, president of the Bundesbank.

Mr Jim O'Neill, chief currency economist at Goldman Sachs in New York, said a sustainable dollar rally needed falling German bond yields, and this was not happening. Instead, he said, the Bundesbank's decision last week to fix the repo rate suggested it wanted to slow the rate of fall in interest rates. "They are sending the wrong message for the dollar," said Mr O'Neill.

Mr Brian Martin, currency strategist at Barclays in London, said it was too early to be making definitive prognoses about weak US growth, especially given weather distortions. And even if growth was slowing, he said this would shrink the US's trade deficit with Japan, which would be dollar supportive.

Mr O'Neill said fears about the US Treasury capping the dollar against the yen were quite widely held, but probably misplaced. He said establishing a fixed ceiling for the dollar would be a serious disincentive to foreign investors buying US bonds, which is not something the Treasury can afford to encourage. He did not rule out, however, a short term correction to Y103-104.

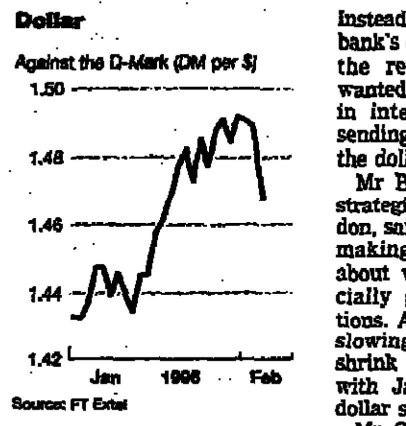
■ The Indian rupee fell to a historic low of 37.8/38.00 against the dollar, from 36.79/82 on Friday. Mr Chakravarty Rangarajan, the Reserve Bank's governor, said the fall was at odds with economic fundamentals. "The balance of payment position of the country continues to remain strong, underpinned by robust growth in exports," he said.

He said the rupee's fall needed to be seen in the context of an overall dollar rally in January. The rupee was stable against other leading currencies.

The weakening trend has acquired a self-fulfilling aspect, with exporters cancelling forward sales, and importers rushing for cover.

**Dollar**

Against the D-Mark (DM per $)




Source: FT Extel

■ **Pound in New York**

| Feb 5 | ---Latest--- | -- Prev. close -- |
|---|---|---|
| £ spot | 1.5345 | 1.5256 |
| 1 mth | 1.5334 | 1.5244 |
| 3 mth | 1.5311 | 1.5221 |
| 1 yr | 1.5188 | 1.5100 |

■ **OTHER CURRENCIES**

| Feb 5 | £ | $ |
|---|---|---|
| Czech Rp | 41.3917 - 41.4232 | 27.0110 - 27.0210 |
| Hungary | 215.854 - 216.015 | 140.860 - 140.910 |
| Iran | 4593.00 - 4597.20 | 3000.00 - 3002.00 |
| Kuwait | 0.4583 - 0.4593 | 0.2991 - 0.2996 |
| Poland | 3.8808 - 3.8883 | 2.5325 - 2.5355 |
| Russia | 7254.15 - 7252.85 | 4732.00 - 4733.00 |
| U.A.E. | 5.6270 - 5.6307 | 3.6720 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Feb 5 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 15.8359 | -0.0481 | 291 - 426 | 15.9355 | 15.8285 | 15.7924 | 3.3 | 15.7484 | 2.2 | - | - | 108.3 |
| Belgium | (BFr) | 46.3162 | -0.1131 | 015 - 349 | 46.7200 | 46.2860 | 46.2082 | 2.8 | 45.9832 | 2.9 | 45.0832 | 2.7 | 108.5 |
| Denmark | (DKr) | 8.7153 | -0.0204 | 109 - 197 | 8.7679 | 8.7097 | 8.7026 | 1.7 | 8.6771 | 1.8 | 8.577 | 1.6 | 109.5 |
| Finland | (FM) | 6.9302 | +0.0045 | 231 - 373 | 6.9810 | 6.9220 | 6.9258 | 0.8 | 6.9177 | 0.7 | - | - | 85.3 |
| France | (FFr) | 7.7485 | -0.011 | 458 - 512 | 7.7988 | 7.7336 | 7.7371 | 1.8 | 7.7166 | 1.6 | 7.6307 | 1.5 | 109.4 |
| Saudi Arabia | (SR) | 5.7484 | +0.0518 | 470 - 498 | 5.7512 | 5.7280 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.1676 | +0.0138 | 664 - 687 | 2.1714 | 2.1633 | - | - | - | - | - | - | - |
| South Africa | (R) | 5.5851 | +0.0401 | 828 - 873 | 5.5916 | 5.5762 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1192.52 | +5.89 | 205 - 298 | 1197.73 | 1189.56 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 42.1025 | +0.3768 | 920 - 130 | 42.1268 | 41.9555 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.7313 | +0.2512 | 084 - 542 | 38.8360 | 38.6580 | - | - | - | - | - | - | - |

† Rates for Feb 2 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Feb 5 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P. Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.3320 | -0.1259 | 296 - 344 | 10.4130 | 10.3295 | 10.316 | 1.9 | 10.282 | 1.9 | 10.162 | 1.6 | 106.0 |
| Belgium | (BFr) | 30.2200 | -0.35 | 150 - 250 | 30.5160 | 30.2090 | 30.17 | 2.0 | 30.07 | 2.0 | 29.715 | 1.7 | 107.9 |
| Denmark | (DKr) | 5.6863 | -0.0652 | 845 - 880 | 5.7268 | 5.6830 | 5.6821 | 0.9 | 5.6738 | 0.9 | 5.6939 | -0.1 | 108.3 |
| Finland | (FM) | 4.5216 | -0.0382 | 178 - 253 | 4.5630 | 4.5169 | 4.5171 | 1.2 | 4.5086 | 1.2 | 4.4921 | 0.7 | 84.5 |
| France | (FFr) | 5.0555 | -0.0533 | 547 - 562 | 5.0880 | 5.0490 | 5.0518 | 0.9 | 5.0457 | 0.8 | 5.03 | 0.5 | 108.8 |
| Saudi Arabia | (SR) | 3.7505 | -0.0001 | 503 - 507 | | | | | | | | | |
| Singapore | (S$) | 1.4142 | -0.0038 | 137 - 147 | | | | | | | | | |
| South Africa | (R) | 3.6440 | -0.0068 | 432 - 447 | | | | | | | | | |
| South Korea | (Won) | 778.050 | -3.35 | 900 - 200 | 780.700 | 777.800 | 781.05 | -4.8 | 784.55 | -3.3 | 803.05 | -3.2 | - |
| Taiwan | (T$) | 27.4695 | -0.0025 | 680 - 710 | 27.4730 | 27.4570 | 27.4895 | -0.9 | 27.5295 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.2700 | -0.065 | 600 - 800 | 25.3830 | 25.2550 | 25.3687 | -4.7 | 25.5725 | -4.8 | 26.455 | -4.7 | - |

† SDR rate per $ for Feb 2. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 1: Base average 1990=100

## WORLD INTEREST RATES

**MONEY RATES**

**EURO CURRENCY INTEREST RATES**

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Mar | Jun | Sep | PUTS Mar | Jun | Sep |
|---|---|---|---|---|---|---|
| 9050 | 0.21 | 0.81 | 1.19 | 0.17 | 0.17 | 0.30 |
| 9075 | 0.11 | 0.63 | 1.00 | 0.32 | 0.24 | 0.36 |
| 9100 | 0.05 | 0.47 | 0.82 | 0.51 | 0.33 | 0.43 |

Est. vol. total, Calls 200 Puts 300. Previous day's open int., Calls 19544 Puts 18601

## CROSS RATES AND DERIVATIVES

**EXCHANGE CROSS RATES**

| Feb 5 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.81 | 16.73 | 4.862 | 2.082 | 5192 | 5.447 | 21.25 | 505.0 | 411.1 | 22.99 | 3.972 | 2.159 | 4.555 | 3.310 | 347.8 | 2.651 |
| Denmark | (DKr) | 53.15 | 10 | 8.890 | 2.584 | 1.112 | 2760 | 2.895 | 11.29 | 268.4 | 218.5 | 12.22 | 2.111 | 1.147 | 2.421 | 1.759 | 184.9 | 1.409 |
| France | (FFr) | 59.78 | 11.25 | 10 | 2.907 | 1.251 | 3104 | 3.256 | 12.70 | 301.9 | 245.7 | 13.75 | 2.375 | 1.291 | 2.723 | 1.979 | 207.9 | 1.585 |
| Germany | (DM) | 20.57 | 3.870 | 3.440 | 1 | 0.430 | 1068 | 1.120 | 4.370 | 103.9 | 84.55 | 4.729 | 0.817 | 0.444 | 0.937 | 0.681 | 71.54 | 0.545 |
| Ireland | (I£) | 47.80 | 8.994 | 7.996 | 2.324 | 1 | 2482 | 2.604 | 10.16 | 241.4 | 196.5 | 10.99 | 1.899 | 1.032 | 2.178 | 1.582 | 166.3 | 1.267 |
| Italy | (L) | 1.926 | 0.362 | 0.322 | 0.094 | 0.040 | 100. | 0.105 | 0.409 | 9.726 | 7.917 | 0.443 | 0.077 | 0.042 | 0.088 | 0.064 | 6.699 | 0.051 |
| Netherlands | (Fl) | 18.36 | 3.454 | 3.071 | 0.893 | 0.384 | 953.2 | 1 | 3.901 | 92.71 | 75.47 | 4.221 | 0.729 | 0.396 | 0.836 | 0.608 | 63.85 | 0.487 |
| Norway | (NKr) | 47.06 | 8.855 | 7.872 | 2.288 | 0.985 | 2444 | 2.564 | 10 | 237.7 | 193.5 | 10.82 | 1.870 | 1.016 | 2.144 | 1.558 | 163.7 | 1.248 |
| Portugal | (Es) | 19.80 | 3.726 | 3.313 | 0.963 | 0.414 | 1028 | 1.079 | 4.208 | 100. | 81.40 | 4.553 | 0.787 | 0.428 | 0.902 | 0.655 | 68.88 | 0.525 |
| Spain | (Pta) | 24.33 | 4.577 | 4.069 | 1.183 | 0.509 | 1263 | 1.325 | 5.169 | 122.8 | 100. | 5.593 | 0.966 | 0.525 | 1.108 | 0.805 | 84.61 | 0.645 |
| Sweden | (SKr) | 43.49 | 8.183 | 7.275 | 2.115 | 0.910 | 2258 | 2.369 | 9.241 | 219.6 | 178.8 | 10 | 1.728 | 0.939 | 1.981 | 1.439 | 151.3 | 1.153 |
| Switzerland | (SFr) | 25.17 | 4.736 | 4.211 | 1.224 | 0.527 | 1307 | 1.371 | 5.349 | 127.1 | 103.5 | 5.788 | 1 | 0.543 | 1.147 | 0.833 | 87.55 | 0.667 |
| UK | (£) | 46.32 | 8.715 | 7.748 | 2.252 | 0.969 | 2405 | 2.523 | 9.842 | 233.9 | 190.4 | 10.65 | 1.840 | 1 | 2.110 | 1.533 | 161.1 | 1.228 |
| Canada | (C$) | 21.95 | 4.130 | 3.672 | 1.067 | 0.459 | 1140 | 1.196 | 4.664 | 110.9 | 90.24 | 5.047 | 0.872 | 0.474 | 1 | 0.727 | 76.35 | 0.582 |
| US | ($) | 30.22 | 5.685 | 5.054 | 1.469 | 0.632 | 1569 | 1.646 | 6.420 | 152.6 | 124.2 | 6.947 | 1.200 | 0.652 | 1.376 | 1 | 105.1 | 0.801 |
| Japan | (Y) | 28.75 | 5.410 | 4.809 | 1.398 | 0.601 | 1493 | 1.566 | 6.109 | 145.2 | 118.2 | 6.611 | 1.142 | 0.621 | 1.310 | 0.952 | 100. | 0.762 |
| Ecu | | 37.72 | 7.097 | 6.309 | 1.834 | 0.789 | 1958 | 2.055 | 8.015 | 190.5 | 155.0 | 8.673 | 1.498 | 0.814 | 1.718 | 1.248 | 131.2 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.6770 | 0.6820 | +0.0053 | 0.6826 | 0.6770 | 24,347 | 66,941 |
| Jun | 0.6830 | 0.6851 | +0.0052 | 0.6857 | 0.6830 | 182 | 3,605 |
| Sep | 0.6850 | 0.6884 | +0.0056 | 0.6884 | 0.6850 | 15 | 1,386 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.8283 | 0.8362 | +0.0094 | 0.8369 | 0.8267 | 14,919 | 44,515 |
| Jun | 0.8337 | 0.8431 | +0.0097 | 0.8435 | 0.8393 | 251 | 1,457 |
| Sep | 0.8465 | 0.8490 | +0.0070 | 0.8490 | 0.8460 | 87 | 174 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 0.9451 | 0.9585 | +0.0137 | 0.9592 | 0.9451 | 18,034 | 79,270 |
| Jun | 0.9620 | 0.9699 | +0.0142 | 0.9705 | 0.9620 | 148 | 5,297 |
| Sep | 0.9700 | 0.9780 | +0.0124 | 0.9780 | 0.9700 | 49 | 728 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 1.5280 | 1.5316 | +0.0092 | 1.5320 | 1.5260 | 7,094 | 50,443 |
| Jun | 1.5250 | 1.5300 | +0.0108 | 1.5300 | 1.5250 | 10 | 256 |
| Sep | - | 1.5250 | +0.0094 | 1.5250 | - | 4 | 5 |

## EMS EUROPEAN CURRENCY UNIT RATES

## UK INTEREST RATES

**LONDON MONEY RATES**

## BASE LENDING RATES

# LONDON SHARE SERVICE

## ALCOHOLIC BEVERAGES

| | Notes | Price | + or - | 52 week high | 52 week low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Allied Domecq | | 515xd | +3 | 566 | 476½ | 5,330 | 5.7 | 18.7 |
| Bulmer (HP) | | 549xd | +1½ | 591 | 394 | 288.9 | 2.8 | 17.2 |
| Burn St Dist | | 123 | — | 148 | 99 | 72.9 | 5.1 | 26.5 |
| Grand Met | | 431½xd | -3 | 467 | 361 | 9,022 | 4.3 | 15.2 |
| Guinness | | 457 | -5 | 536 | 404 | 8,259 | 3.9 | 14.2 |
| Highland | | 329 | -1 | 406 | 315 | 435.2 | 3.0 | 14.9 |
| Kirin Y | | 788¼ | -9½ | 808 | 621 | 8,298 | 0.8 | 90.2 |
| Macallan-Glen. | | 188 | — | 217 | 157 | 184.9 | 1.0 | 36.8 |
| Macdon Martin A | | 690 | — | 690 | 600 | 86.3 | 2.2 | 17.8 |
| Matthew Clark | | 660xd | +4 | 684 | 539 | 580.1 | 4.2 | - |
| Merrydown | | 105 | +1 | 140 | 68 | 11.2 | 2.4 | - |
| Seagram S | | £23¼ | [illegible] | £25¾ | £16¼ | 6,473 | 1.2 | - |

## BANKS, MERCHANT

## BANKS, RETAIL

## BREWERIES, PUBS & REST

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## BUILDING MATS. & MERCHANTS - Cont.

## CHEMICALS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## EXTRACTIVE INDUSTRIES - Cont.

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HOUSEHOLD GOODS

## HOUSEHOLD GOODS - Cont.

## INSURANCE

## INVESTMENT TRUSTS

## INVESTMENT TRUSTS - Cont.

## INV TRUSTS SPLIT CAPITAL

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# LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL, EXPLORATION & PRODUCTION



PHARMACEUTICALS - Cont.

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Peptide Therapeutics | □ | 202 | -6 | 280 | 200 | 88.5 | - | - |
| Proteus Intl | | 68 | -3 | 182 | 60 | 22.2 | - | - |
| Ransom (Wm) | | 57 | — | 60 | 44 | 8.65 | 4.6 | 13.0 |
| Schering DM | □ | 245¾ | -1¾ | *283½ | 241⅝ | 3,182 | 1.5 | - |
| Scotia | | 598 | -19 | 718 | 333 | 436.4 | - | - |
| SmKl Beecham A | □ | 719 | -18 | 737 | 477 | 10,086 | 2.3 | 21.3 |
| Equity Units | □ | 710 | -18 | 731 | 450 | 8,381 | 2.4 | 21.1 |
| Zeneca | □ | 1340 | +3 | 1337½ | 840 | 11,818 | 2.8 | 25.4 |

PROPERTY

RETAILERS, GENERAL - Cont.

TOBACCO

TRANSPORT

OIL, INTEGRATED

SUPPORT SERVICES

WATER

OTHER FINANCIAL

AIM

LEISURE & HOTELS

SOUTH AFRICANS

| | Notes | Price | + or - | 52 week high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind | | £30½ | -3¼ | £34½ | £29 | 2,036 | 2.8 | 14.8 |
| Barlow | | £10½ | -⅛ | £10⅞ | £5⅞ | 2,014 | 1.5 | ϕ |
| Gold Flds Prop R | | 163 | -2 | 165 | 138 | 16.7 | 6.6 | 7.2 |
| NK Props | | 85 | — | 95 | 85 | 3.82 | 12.6 | - |
| SASOL | ♥ | 574 | -25 | 648 | 475 | 3,381 | 2.4 | - |
| SA Brews | | £24⅞ | -¼ | £26¼ | £14⅞ | 7,197 | 1.5 | 32.5 |
| Standard Bank | □ | £31⅛ | -⅜ | £32⅛ | £20⅛ | 3,809 | 1.5 | 21.7 |
| Tiger Oats | | 1250 | +10 | 1278 | 725 | 1,880 | 1.5 | ϕ |
| Tongaat-Hulett | † | 1166 | -7 | 1267 | 636 | 1,114 | 1.7 | 22.3 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ✝ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ß Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
[illegible]

Jupiter Tyndall (Bermuda) Ltd
[illegible]

Newport Investment Management
[illegible]

Orion Fund Limited
[illegible]

## BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd
[illegible]

Butterfield Management Co Ltd
[illegible]

## GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd
[illegible]

Adams & Neville Fd Mangt (Guernsey) Ltd
[illegible]

Equitable International Fund Managers Ltd
[illegible]

Guinness Flight Fd Mngrs (Guernsey) Ltd
[illegible]

Hambros Fd Mgrs (CI) Ltd
[illegible]

Kleinwort Benson Intl Fd Mngrs Ltd
[illegible]

Lazard Freres Asset Management (CI) Ltd
[illegible]

Lazard Fund Mngrs (Channel Islands) Ltd
[illegible]

Lloyds Intl Money Market Fund Ltd
[illegible]

M & G (Guernsey) Ltd
[illegible]

Prudential Fund Managers (Guernsey) Ltd
[illegible]

Rothschild Asset Management (CI) Ltd
[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.
[illegible]

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021
[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 295, St Peter Port, Guernsey 01481 710651
[illegible]

## GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
[illegible]

CIBC Fund Managers (Guernsey) Ltd
[illegible]

Gartmore Fund Managers (Guernsey) Ltd
[illegible]

Hambros Fund Managers (CI) Ltd
[illegible]

Kleinwort Benson Intl Fd Mngrs Ltd
[illegible]

Lazard Fund Managers (CI) Ltd
[illegible]

Lazard Freres Asset Management (CI) Ltd
[illegible]

Lloyds Bank Fund Managers (Guernsey) Ltd
[illegible]

Merrill Lynch Guernsey
[illegible]

Rothschild Asset Mngmt (CI) Ltd
[illegible]

Royal Bank of Canada Intl Money Market Fd
[illegible]

Sterling Fund Managers (Guernsey) Ltd
[illegible]

Yamaichi Capital Mngt (Guernsey) Ltd
[illegible]

## IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd
[illegible]

BT Fund Managers (Ireland) Ltd
[illegible]

The Fidelity Trust Global Fund
[illegible]

GAM Fund Management Ltd
[illegible]

Guinness Flight Select Funds Plc
Europa Hse, Harcourt St, Dublin 2 00 3531 407 2000
[illegible]

Hambros Fund Managers (Ireland) Ltd
Intl Financial Services Ctre, Dublin 1 0171 505 1871
Asian Korea Advantage... | $10.34 | 10.86 | -0.04 | 0.00

Henderson Crosthwaite Investment Co
32 St Mary at Hill, London, EC3P 3AJ 0800 581705
[illegible]

LGT Asset Management Ltd
(44) 171 710 4567 London (852) 842 7200 Hong Kong
[illegible]

Morgan Grenfell Investment Funds Ltd
[illegible]

Old Mutual International Fd Mgrs Ltd
[illegible]

Royal Bank of Canada Intl Money Market Fd
[illegible]

Sieger & Friedlander Inv Funds Ltd
[illegible]

Swiss Life Investment Fund
[illegible]

## IRELAND (REGULATED)(**)

AIB Fund Management Ltd
[illegible]

Argentine European Hedge Fund plc
[illegible]

Bank of Ireland Asset Management
[illegible]

Baring International Fd Mgrs (Ireland) Ltd
[illegible]

Berkshire KTC Growth Fund Plc
[illegible]

Berkshire Korea Fund Plc
[illegible]

Capital Vision Fund Plc
[illegible]

Chemical Ireland Fund Administrators Ltd
[illegible]

Citi Investment Fund (Ireland)
Citi Korea Equity | $9.17 | +0.04 | -

Citizens Investment Trust Mngt Company
CITC Frontier NAV | $18.25 | -0.83 | -
[illegible]

Daiwa Europe Fund Managers Ireland Ltd
Japan Convertible Plus | SFr10.14 | -0.01 | -
[illegible]

Dragon Korea Fund Plc
NAV | $8.238 | - | -

Dresdner Kleinwort Benson Intl Mgt Services Ltd
Kleinwort Benson India Fund Plc
Equity Growth | $10.00 | (z) | -
[illegible]

Fleming Korea Fund
[illegible]

Frank Russell Investments (Ireland) Ltd
[illegible]

Global Resources Stock Fund
[illegible]

Kleinwort Benson Bond Arbitrage Fund Plc
[illegible]

Korea Fund
[illegible]

LGT Asset Management Ltd
[illegible]

Morgan Grenfell Funds
[illegible]

Pacific 21st Century Fund
[illegible]

Pioneer Management (Ireland) Ltd
[illegible]

Salomon Brothers Ireland
[illegible]

## ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs
[illegible]

## ISLE OF MAN (REGULATED)(**)

Ashburton Global Funds Ltd
[illegible]

Bank of Ireland Asset Mngmt (IOM) Ltd
[illegible]

CMI Fund Managers (IOM)
[illegible]

Mercury Fund Managers Intl Ltd
[illegible]

Quilter Intl Mngt (IoM) Ltd
[illegible]

AXA Equity & Law Intl Fund Mgrs
[illegible]

City Financial Admin (IoM) Ltd
[illegible]

RHR Fund Managers Ltd
[illegible]

Syfrets International Fund Management Ltd
[illegible]

## JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
[illegible]

Barclays International Funds
[illegible]

Coutts & Co (Jersey) Fund Managers Ltd
[illegible]

Fortune Fund Managers Intl Ltd
[illegible]

Fleming Group
[illegible]

John Govett (Channel Islands) Ltd
[illegible]

Lloyds Bank (CI) U/T Mgrs
[illegible]

Midland Bank Fund Managers (Jersey) Ltd
[illegible]

Newton Fund Mgrs (CI) Ltd
[illegible]

Prudential Fund Managers (Jersey) Ltd
[illegible]

Royal Bank of Scotland Fd Mngrs (Jersey) Ltd
[illegible]

Save & Prosper International
[illegible]

## JERSEY (REGULATED)(**)

Barclays Intl Funds
[illegible]

Citibank (CI) Ltd
[illegible]

Coutts & Co (Jersey) Fund Managers Ltd
[illegible]

Fleming Group
[illegible]

Foreign & Colonial Mngt (Jersey) Ltd
[illegible]

John Govett Management (Jersey) Ltd
[illegible]

INVESCO International Ltd
[illegible]

Jupiter Tyndall (Jersey) Ltd
[illegible]

Lloyds Private Banking (CI) Ltd
[illegible]

Lombard Odier (Jersey) Ltd
[illegible]

Lowndes Financial Services Limited
[illegible]

Mercury Asset Mngt Channel Islands Ltd
[illegible]

Minerals, Oils Res. Shrs. Fd. Inc.
[illegible]

Northgate Unit Tst. Mngr. (Jersey) Ltd
[illegible]

Quilter Intl Mngt (IoM) Ltd
[illegible]

The Portugal Fund Limited
[illegible]

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd
[illegible]

Schroder Mngt Services (Jersey) Ltd
[illegible]

TSB Fund Managers (CI) Ltd
[illegible]

Worldinvest (Managers) Jersey Ltd
[illegible]

## LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds
[illegible]

Abtrust Fund Mngrs (Luxembourg) SA
[illegible]

American Phoenix Investment Portfolios
[illegible]

BAII Asset Management Ltd
[illegible]

Bank Von Ernst & Cie AG
[illegible]

Barclays Diversified Portfolio
[illegible]

Baring International Fund Managers
[illegible]

Comgest SA
[illegible]

Commerzbank Bank Luxembourg SA
[illegible]

Dresdner Bank Luxembourg SA
[illegible]

Eagle Star - Global Assets Fund
[illegible]

Eurofund-Wright National Eqty Fd
[illegible]

Fidelity Funds
[illegible]

Fleming Group
[illegible]

Foreign & Colonial Emerging Markets Ltd
[illegible]

Gartmore Luxembourg SA
[illegible]

Henderson Management SA
[illegible]

Jupiter Tyndall Global Fund
[illegible]

Kleinwort Benson Japanese Warrant Fund
[illegible]

Kleinwort Benson Select Fund
[illegible]

Liberty Market World Portfolio
[illegible]

Lloyds Bank Luxembourg
[illegible]

Midland Intl Circuit Fund SICAV
[illegible]

Nikko Capital Management
[illegible]

Nomura Global Fund
[illegible]

PRICOA Worldwide Inv Portfolio Sicav
[illegible]

S-E-Banken Luxembourg SA
[illegible]

Scottish Equitable Intl Fund SICAV
[illegible]

Sun Life Global Management Ltd
[illegible]

Templeton Global Strategy Funds
[illegible]

Thornton Investment Management Ltd
[illegible]

## LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund
[illegible]

Alliance Capital
[illegible]

Americas Fund SICAV
[illegible]

Banque Ferrier Lullin
[illegible]

Banque Indosuez Luxembourg
[illegible]

Banque Scandinave En Suisse
[illegible]

CS Fund International
[illegible]

Carlson Investment Management
[illegible]

Citicorp Investment Mgmt (Luxembourg) SA
[illegible]

Credit Investment Funds
[illegible]

هكذا من الأصل

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( +44 171 ) 873 4378 for more details.

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Credis Investment Funds - Contd.** | | | | |
| [illegible] | | | | |

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Nikko Asia Convertible Bond Fund** | | | | |
| Nikko Asia Conv Bond NAV | $10.84 | | — | — |
| **Nikko Bank (Luxembourg) S.A.** | | | | |
| [illegible] | | | | |
| **Nomura Asian Infrastructure Fd SICAV** | | | | |
| NAV | $22.86 | | +0.18 | — |
| For Quota Fund see Fleming Group | | | | |
| **Pacific Basin Growth Fund** | | | | |
| [illegible] | | | | |
| **Pan-Holding SA** | | | | |
| [illegible] | | | | |
| **Pictet Group** | | | | |
| Asia Growth | $104.75 | | — | — |
| [illegible] | | | | |
| **REG Global Funds** | | | | |
| [illegible] | | | | |
| **River & Mercantile Latin American SICAV** | | | | |
| Latin American NAV | $9.56 | | -0.02 | — |
| **Rosenberg Global Mngt Co SA (u)** | | | | |
| [illegible] | | | | |

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **CMI Insurance Co Ltd** | | | | |
| [illegible] | | | | |

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Royal Life International** | | | | |
| Royal Court, Arbory Rd, Castletown IoM 01624 821212 | | | | |
| [illegible] | | | | |
| **Royal Skandia Life Assurance Ltd (z)** | | | | |
| [illegible] | | | | |

## OTHER OFFSHORE FUNDS

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Capital International** | | | | |
| Capital Int. Fund | $180.80 | | +3.17 | — |
| **Cathay Investment Fund Limited** | | | | |
| NAV Dec 31 | HK$10.13 | | — | — |
| **Chameleon Funds Limited** | | | | |
| [illegible] | | | | |
| For Chase Manhattan Vista Funds see Luxembourg Reg | | | | |
| **Chescor Indian Investment Company Ltd** | | | | |
| [illegible] | | | | |
| **The China Fund** | | | | |
| [illegible] | | | | |
| **The China Invest & Development Fd Ltd** | | | | |
| [illegible] | | | | |
| **Citibank Global Asset Mgmt (Asia) Ltd** | | | | |
| [illegible] | | | | |
| **Citizens Investment Trust Mgt Co Ltd** | | | | |
| [illegible] | | | | |
| **City & International Securities Ltd** | | | | |
| [illegible] | | | | |
| **Claridon Bank** | | | | |
| [illegible] | | | | |

**Global Asset Management - Contd.**

[illegible]

**Magellan Emerging Mkts Mngt (Jersey) Ltd**

[illegible]

**Republic Funds**

[illegible]

## OFFSHORE INSURANCES

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| **AXA Equity & Law Intl Life Assce Co** | | | | |
| [illegible] | | | | |

**MANAGED FUNDS NOTES**

[illegible]

## LONDON STOCK EXCHANGE

**MARKET REPORT**

# Weak international bond markets hit Footsie

By Philip Coggan, Markets Editor

Share prices in London dropped sharply yesterday in line with falls in international bond prices and weakness in European stock markets.

By the close, the FT-SE 100 index had lost 34.7 points to 3,746.6, wiping out all of Friday's gain. The junior FT-SE Mid 250 index did not suffer as badly, relinquishing 15.8 points to 4,136.4.

Shares were led lower by gilts, with the benchmark 10-year issue falling more than a point to yield 7.73 per cent. German government bonds also fell in excess of a point.

Analysts were divided about the cause of the weakness in international bonds. Some said it was due to a feeling that governments' reflationary policies, designed to stimulate a slowing world economy, might eventually create inflationary pressures. Mr Richard Jeffrey, Charterhouse Group economist, said: "What is happening in the gilts market is the reaction I expected after the last base rate cut."

But Mr Keith Skeoch, chief economist at James Capel, pointed to nervousness ahead of the US Treasury auctions today, tomorrow and on Thursday, and to concern that the Bundesbank might not reduce rates as quickly as some would like.

Whatever the cause, the recent weakness in gilts has pushed up the yield ratio – the relationship between bond and equity yields – from 2.04 at the start of the year to 2.16 at the end of last week. A higher ratio makes shares look relatively less attractive.

Add in the effect of a weaker dollar on European bourses – shares in Paris and Frankfurt fell by 1 to 2 per cent – and London had little hope of escape.

Domestic news did not help. British Airways' third-quarter results were at the lower end of the range of expectations and the shares were marked down accordingly. Vodafone suffered after Cellnet reduced its mobile phone charges in the face of an increasingly competitive market.

There was, at least, some continued bid speculation to lighten the gloom. Pearson, the media group which owns the Financial Times, was one of the few Footsie gainers on the back of a weekend story that Viacom, of the US, was a potential bidder; volume was light, however.

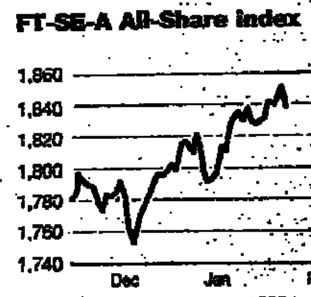
Traders marked shares lower at the opening in response to Friday's fall on Wall Street in both bond and share prices. The Footsie began the day 18.3 points off at 3,763.0.

The malaise which affected international bond and stock markets prevented the Footsie from staging a rally and shares received a further knock in the afternoon when Wall Street opened weaker. At its worst, the leading index was 38.2 points down at 3,743.1.

There was a general feeling that equities, which have had a very good start to 1996, were due for a breather. That seems true on Wall Street, which has regularly been setting records, and by the close of trading in London yesterday the Dow Jones Industrial Average was around 19 points lower.

Trading volume was reasonable for a Monday, with 734.7m shares having been traded by the 6pm count. Customer business on Friday was a healthy £1.96bn.

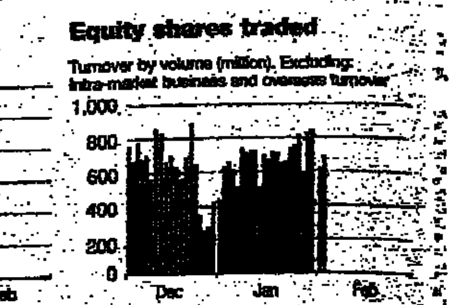
### FT-SE-A All-Share Index




Source: FT Extel

### Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




### Indices and ratios

| | | |
|---|---|---|
| FT-SE 100 | 3746.6 | -34.7 |
| FT-SE Mid 250 | 4136.4 | -15.8 |
| FT-SE-A 350 | 1864.1 | -15.1 |
| FT-SE-A All-Share | 1838.74 | -13.91 |
| FT-SE-A All-Share yield | 3.71 | (3.68) |
| FT Ordinary index | 2758.6 | -26.2 |
| FT-SE-A Non Fins p/e | 17.06 | (17.21) |
| FT-SE100 Fut Mar | 3763.0 | -38.0 |
| 10 yr Gilt yield | 7.71 | (7.56) |
| Long gilt/equity yld ratio: | 2.20 | (2.16) |

**Best performing sectors**

| | |
|---|---|
| 1 Gas Distribution | +2.5 |
| 2 Water | +0.5 |
| 3 Engineering, Vehicles | +0.2 |
| 4 Other Financial | +0.0 |
| 5 Life Assurance | -0.0 |

**Worst performing sectors**

| | |
|---|---|
| 1 Tobacco | -1.9 |
| 2 Transport | -1.8 |
| 3 Pharmaceuticals | -1.6 |
| 4 Telecommunications | -1.4 |
| 5 Retailers, Food | -1.3 |

## Pearson bucks the slide

Pearson, the media conglomerate which owns the Financial Times, jumped against the trend, with speculation of a possible takeover mooted in the weekend press.

The shares, up 23 at one stage, ended the day as one of the strongest performers in the Footsie with a rise of 15 at 670p. They were boosted by talk that Viacom, of the US, might be interested in making an offer for Pearson.

Rumours about Pearson have circulated for some time. Late last year Henderson Crosthwaite produced a break-up valuation of 900p a share. It was said that Granada had been prepared to pay that price but was rejected by shareholders and went for Forte instead.

Turnover was slight yesterday and there was no reason, apart from the market's current search for likely bid candidates, to think an offer was being seriously considered.

Ms Lorna Tilbian of Panmure Gordon said she had a fair value target of 665p a share for Pearson and yesterday's rise was easily justified.

### BA grounded

Transport leader British Airways slithered to the bottom of the Footsie rankings in heavy volume following a negative change of stance and a modest profits downgrade by top brokers.

BZW, which has had doubts about the shares for some weeks, moved from hold to sell on the grounds that BA had slipped to a yield discount to the overall market of almost 20 per cent.

And Credit Lyonnais Laing trimmed current year profits estimates by £15m to £565m on the back of a costs spurt in the third quarter.

The shares dropped 19 to finish at 502p in turnover of 11m, some five times more than an average day's volume for the stock.

There was talk that one large broker had grossly overestimated the third-quarter results.

### BAe nosedives

British Aerospace went into a nosedive in modest turnover amid news that it was participating in a consortium which is interested in buying Fokker, the troubled Dutch aircraft maker. The shares, one of last year's strongest Footsie performers, closed 24 off at 875p.

Not helping the stock was a change of stance by Kleinwort Benson, which switched from buy to hold. The shares have outpaced the market as a whole by more than 50 per cent over the past 12 months. One top engineering analyst said: "It is a fairly clean cut case of profit-taking."

IMI and GKN, both of which have suffered from worries about the German economy lately, moved up against the market trend. The former put on 12 at 332p and GKN gained 7 at 858p.

Lasmo, the exploration and production group, firmed a penny to 167p as Kleinwort Benson raised its net asset valuation. The broker increased its estimate by 13p to 184p following encouraging figures from Anadarko, one of the operators of the Algerian field in which Lasmo has 25 per cent.

Other oil issues were weak ahead of the UN meeting to consider allowing Iraq to begin exporting again.

Vodafone fell back in heavy volume on news of tariff changes at rival mobile phones operator Cellnet, which is part of the BT group.

Analysts said talk of a price war between the two market leaders was mostly misplaced. The Cellnet move was described by one sector watcher as bringing the company into line with the rest of the industry. Vodafone shed 6½ to 237½p in 20m traded.

Securicor, which has a 40 per cent stake in Cellnet, continued to move ahead, adding 8 at 928p following a move from undervalued to buy at Hoare Govett.

Bardon hardened a penny to 40p in 7.1m traded as the company fuelled hopes for further rationalisation within the construction sectors.

It confirmed recent discussions with rival building materials group CAMAS but said the talks had been discontinued. CAMAS softened a penny to 83p.

Broadcasters benefited from active buying again on the hope of more takeovers or mergers within the sector.

Scottish Television was boosted last week by its inclusion in the FT-SE Mid 250 index and some speculation that removal of monopoly constraints could prompt a bid by Mirror Group.

Yesterday, the shares were up again, closing 36 higher at 566p. However, the company was keen to disassociate itself from bid talk and pointed instead to its 20 per cent stake in HTV, which has gained in value as the latter has increasingly been considered a target.

Also, SBC Warburg is believed to be preparing a note recommending the shares up to 600p – or 800p in the event of a bid. HTV rose 5 to 347p and Carlton Communications, seen as a possible buyer, slipped 3 to 1067p.

Meanwhile, Mirror Group gained 4 at 195p as it raised the price of the Daily Record in Scotland and the Saturday Mirror. More importantly, the Sun followed suit for its own Saturday paper, giving rise to the possibility that the price war is well and truly over and Mirror would soon be able to raise Monday to Friday prices.

Retailer Dixons was among a handful of stocks that managed to beat off the downward pressure in the market yesterday. The shares closed 2 ahead at 422p, having touched 425p on healthy turnover of 7.3m.

The news last week that Hanson is closing 195 Powerhouse electrical retailing shops in the south and midlands was cited by analysts yesterday as being positive for companies such as Dixons and Kingfisher.

Mr Robert Snaith at Strauss Turnbull believes Dixons to be the most attractive among the leading retail stocks. Kingfisher followed the market lower and eased 4 to 528p.

Not even news that Hanson is considering offering shareholders a special dividend could banish continued doubts about the four-way demerger announced last week. The shares gave up 4¼ to 193¾p in trade of 16m.

Sentiment was weakened further by a negative note from NatWest Securities.

There was profit-taking in Lloyds Chemists as the market waited to hear if German group Gehe is to launch a counter-bid to UniChem's agreed offer. Shares in the UK retailer relinquished 7 at 447p, while UniChem finished unchanged at 247p.

Boots was down 8 to 615p, although there was talk late in the session that NatWest Securities was about to come out with a positive note.

Many brokers moved to downgrade full-year profits expectations. The list included BZW, which reduced its forecast by £10m to £122m and remains a seller of the shares.

Strauss Turnbull also cut its forecast, by £8m to £122m.

Gases group BOC rose 5 to 928p as a shortage of available stock squeezed the share price higher ahead of figures due next week.

Renewed optimism for a bid in the electricity sector helped Midlands move forward 5 to 891p and London improve 11 to 752p.

British Gas floated 6 higher to 244½p on weekend newspaper reports that Mr Cedric Brown, the chief executive who has attracted heavy media criticism, might be resigning.

Ferguson International, the labels and hangers group, dropped 21 to 196p on a profits warning.

**MARKET REPORTERS:** Peter John, Joel Kibazo, Jeffrey Brown.

### FINANCIAL TIMES EQUITY INDICES

| | Feb 5 | Feb 2 | Feb 1 | Jan 31 | Jan 30 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2758.6 | 2784.8 | 2762.8 | 2768.4 | 2758.0 | 2320.3 | 2788.2 | 2238.3 |
| Ord. div. yield | 3.79 | 3.76 | 3.79 | 3.79 | 3.81 | 4.52 | 4.73 | 3.76 |
| P/E ratio net | 17.05 | 17.20 | 17.08 | 17.10 | 17.00 | 17.86 | 21.33 | 15.35 |
| P/E ratio nil | 16.83 | 16.99 | 16.85 | 16.87 | 16.78 | 16.93 | 22.21 | 15.17 |

*For 1995/96. Ordinary Share index since compilation: high 2788.2 18/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

**Ordinary Share hourly changes**

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2771.0 | 2771.0 | 2763.6 | 2767.6 | 2767.8 | 2763.6 | 2762.4 | 2758.0 | 2760.6 | 2771.5 | 2755.1 |

| | Feb 5 | Feb 2 | Feb 1 | Jan 31 | Jan 30 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 36,020 | 33,086 | 32,442 | 33,606 | 32,879 | 23,169 |
| Equity turnover (£m)† | - | 1961.3 | 1628.8 | 2426.7 | 2027.3 | 1330.6 |
| Equity bargains† | - | 37,512 | 34,841 | 39,548 | 37,886 | 32,566 |
| Shares traded (mil)† | - | 691.1 | 618.5 | 848.8 | 630.0 | 568.5 |

†Excluding intra-market business and overseas turnover.

### ■ London market data

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 423 | Total Highs | 155 | Total contracts | 29,010 |
| Total Falls | 870 | Total Lows | 45 | Calls | 13,887 |
| Same | 1,496 | | | Puts | 15,143 |

Feb. 5 *Data based on Equity shares listed on the London Share Service.

### FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3775.0 | 3763.0 | -38.0 | 3777.0 | 3751.0 | 11853 | 65364 |
| Jun | 3773.0 | 3765.5 | -38.0 | 3773.0 | 3773.0 | 1 | 1323 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 4150.0 | -20.0 | - | - | 0 | 3307 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3750) £10 per full index point

| | 3600 C | 3600 P | 3650 C | 3650 P | 3700 C | 3700 P | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P | 3900 C | 3900 P | 3950 C | 3950 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 161½ | 2 | 113½ | 4 | 69 | 11 | 32 | 25½ | 11½ | 55½ | 3 | 105 | 1 | 155 | 1 | 205 |
| Mar | 178 | 13½ | 133 | 21½ | 95 | 33½ | 64 | 53 | 39½ | 79 | 21½ | 114 | 11 | 157½ | 5 | 207 |
| Apr | 181 | 28½ | 143½ | 40½ | 111 | 58 | 81 | 77½ | 58½ | 104½ | 38½ | 136 | 24 | 171½ | 15 | 213½ |
| May | 198 | 42 | 161 | 54½ | 129½ | 72½ | 100 | 93 | 76½ | 119 | 55 | 148½ | 38 | 182½ | 25½ | 221 |
| Jun† | 213 | 53 | - | - | 167 | 85½ | - | - | 97 | 132 | - | - | 39½ | 194½ | - | - |

Calls 4,185 Puts 5,897

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3575 C | 3575 P | 3625 C | 3625 P | 3675 C | 3675 P | 3725 C | 3725 P | 3775 C | 3775 P | 3825 C | 3825 P | 3875 C | 3875 P | 3925 C | 3925 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Feb | 186 | 1½ | 136 | 5 | 88 | 6½ | 46½ | 16 | 22 | 38½ | 6½ | 73 | 2 | 118 | ½ | 166½ |
| Mar | 194 | 7 | 148½ | 12½ | 108½ | 22 | 73 | 37½ | 46 | 60 | 26 | 89½ | 14 | 125½ | 6 | 167 |
| Apr | 204 | 26 | 165 | 36½ | 129½ | 50½ | 95½ | 66½ | 71½ | 91½ | 50 | 119 | 33½ | 152 | 21 | 188½ |
| Jun | - | - | 260 | 63 | - | - | 133 | 93½ | - | - | 83½ | 141½ | - | - | 50½ | 200½ |
| Sep† | - | - | 246 | 92 | - | - | 182 | 124 | - | - | 129½ | 169 | - | - | 89 | 222½ |

Calls 2,436 Puts 581 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt cap (£m) | 1995/96 High | 1995/96 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 6.23 | 6¾ | 5¼ | †Ballynotay | 6 | | - | - | - | - |
| 120 | F.P. | 24.0 | 125 | 115 | Century Inns | 120 | | - | - | - | - |
| - | F.P. | 13.7 | 80 | 72 | †Dralex | 73 | -3 | - | - | - | - |
| 60 | F.P. | 25.4 | 68 | 65 | MediaKey | 65 | | Lx0.96 | - | 1.8 | - |
| - | F.P. | 0.13 | 8 | 6 | †Nthn Pltm Wts | 8 | | - | - | - | - |
| - | F.P. | 1.13 | 105 | 100 | †Prestation P'dty | 105 | | - | - | - | - |
| 5/ | F.P. | 3.27 | 60 | 53 | †Self Sealing Syst | 58 | +1 | - | - | - | - |
| - | F.P. | 0.97 | 5¼ | 5 | †SkyePharma Wts | 5 | | - | - | - | - |
| - | F.P. | 5.00 | 205 | 125 | †Viewcon | 200 | | - | - | - | - |

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

### FT GOLD MINES INDEX

| | Feb 5 | % chg on day | Feb 2 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (33) | 2315.88 | +5.0 | 2205.78 | 1715.27 | 1.36 | - | 2315.88 | 1658.35 |
| ■ Regional Indices | | | | | | | | |
| Africa (16) | 3538.58 | +10.0 | 3216.36 | 2630.31 | 2.56 | 39.12 | 3538.58 | 2272.74 |
| Australasia (6) | 2927.34 | +8.8 | 2741.84 | 2004.82 | 1.59 | 44.80 | 2927.34 | 1768.20 |
| North America (12) | 2162.29 | +2.4 | 2112.62 | 1403.70 | 0.62 | 64.82 | 2162.29 | 1366.39 |

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### FT - SE Actuaries Share Indices — The UK Series

| | Feb 5 | Day's chge% | Feb 2 | Feb 1 | Jan 31 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3746.6 | -0.9 | 3781.3 | 3752.8 | 3759.3 | 3062.0 | 3.82 | 2.07 | 15.78 | 9.12 | 1501.34 |
| FT-SE Mid 250 | 4136.4 | -0.4 | 4152.2 | 4128.9 | 4125.0 | 3395.8 | 3.55 | 1.75 | 20.12 | 21.96 | 1637.90 |
| FT-SE Mid 250 ex Inv Trusts | 4141.8 | -0.4 | 4157.5 | 4134.1 | 4129.1 | 3401.7 | 3.69 | 1.80 | 18.80 | 23.61 | 1642.05 |
| FT-SE-A 350 | 1864.1 | -0.8 | 1879.2 | 1865.8 | 1868.0 | 1525.1 | 3.76 | 2.01 | 16.54 | 5.68 | 1528.95 |
| FT-SE-A 350 Higher Yield | 1865.7 | -0.8 | 1881.3 | 1866.3 | 1871.1 | 1548.4 | 4.62 | 1.83 | 14.81 | 6.44 | 1270.31 |
| FT-SE-A 350 Lower Yield | 1867.3 | -0.8 | 1882.0 | 1870.2 | 1869.6 | 1501.5 | 2.85 | 2.32 | 18.87 | 4.88 | 1278.25 |
| FT-SE SmallCap | 2023.51 | -0.1 | 2024.97 | 2021.87 | 2018.51 | 1714.73 | 3.10 | 1.84 | 21.94 | 3.75 | 1638.94 |
| FT-SE SmallCap ex Inv Trusts | 1995.96 | ..... | 1996.73 | 1994.77 | 1990.49 | 1691.66 | 3.33 | 1.93 | 19.49 | 3.90 | 1625.51 |
| FT-SE-A ALL-SHARE | 1838.74 | -0.8 | 1852.65 | 1840.21 | 1841.96 | 1508.21 | 3.71 | 2.00 | 16.85 | 5.43 | 1532.23 |

### ■ FT-SE Actuaries All-Share

| | Feb 5 | Day's chge% | Feb 2 | Feb 1 | Jan 31 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(24) | 3260.59 | -0.9 | 3291.35 | 3236.38 | 3218.51 | 2670.07 | 3.58 | 2.02 | 17.24 | 0.00 | 1372.08 |
| 12 Extractive Industries(6) | 4284.81 | -0.3 | 4299.19 | 4161.83 | 4165.21 | 3534.47 | 3.46 | 2.56 | 14.11 | 0.00 | 1228.67 |
| 15 Oil, Integrated(3) | 3302.29 | -1.1 | 3340.23 | 3289.16 | 3266.18 | 2667.69 | 3.73 | 1.95 | 17.18 | 0.00 | 1424.54 |
| 16 Oil Exploration & Prod(15) | 2091.26 | -0.1 | 2092.78 | 2095.69 | 2086.57 | 1941.20 | 2.34 | 1.48 | 36.00 | 0.00 | 1241.30 |
| 20 GEN INDUSTRIALS(276) | 2035.48 | -0.6 | 2047.80 | 2032.57 | 2035.65 | 1803.54 | 4.06 | 1.87 | 16.43 | 1.97 | 1094.02 |
| 21 Building & Construction(34) | 1062.93 | -0.3 | 1065.66 | 1062.79 | 1067.68 | 948.72 | 3.77 | 2.17 | 15.26 | 0.36 | 876.03 |
| 22 Building Matls & Merchs(29) | 1876.06 | -1.1 | 1897.33 | 1884.71 | 1873.67 | 1732.75 | 4.00 | 2.03 | 15.42 | 0.61 | 931.37 |
| 23 Chemicals(23) | 2448.80 | -0.8 | 2469.03 | 2453.59 | 2446.77 | 2200.83 | 4.00 | 1.87 | 16.73 | 0.91 | 1140.78 |
| 24 Diversified Industrials(21) | 1802.05 | -0.9 | 1818.36 | 1799.66 | 1824.84 | 1771.53 | 5.48 | 1.50 | 15.23 | 3.32 | 987.13 |
| 25 Electronic & Elect Equip(38) | 2295.37 | -0.2 | 2299.39 | 2270.60 | 2271.38 | 1884.11 | 3.15 | 1.96 | 20.22 | 1.91 | 1178.59 |
| 26 Engineering(71) | 2269.85 | -0.5 | 2280.51 | 2264.47 | 2259.83 | 1731.82 | 3.29 | 2.24 | 16.99 | 3.48 | 1360.72 |
| 27 Engineering, Vehicles(13) | 2703.32 | +0.2 | 2696.84 | 2660.72 | 2639.94 | 2051.72 | 3.79 | 1.26 | 26.19 | 0.23 | 1378.44 |
| 28 Paper, Pckg & Printing(26) | 2634.12 | -0.3 | 2643.27 | 2650.80 | 2651.39 | 2682.92 | 3.78 | 2.53 | 13.05 | 0.39 | 1080.63 |
| 29 Textiles & Apparel(19) | 1481.48 | -0.3 | 1486.38 | 1492.84 | 1498.07 | 1476.48 | 4.70 | 1.79 | 14.85 | 0.00 | 888.53 |
| 30 CONSUMER GOODS(81) | 3657.82 | -1.2 | 3703.10 | 3694.29 | 3716.90 | 2861.77 | 3.75 | 1.77 | 18.79 | 7.79 | 1330.10 |
| 32 Alcoholic Beverages(9) | 2780.28 | -0.5 | 2794.66 | 2795.61 | 2808.47 | 2577.96 | 4.37 | 1.79 | 15.95 | 28.48 | 993.70 |
| 33 Food Producers(23) | 2599.15 | -0.8 | 2619.14 | 2623.86 | 2634.39 | 2328.29 | 4.12 | 1.74 | 17.45 | 4.53 | 1154.74 |
| 34 Household Goods(15) | 2622.68 | -0.9 | 2647.23 | 2640.50 | 2641.59 | 2509.78 | 3.64 | 2.15 | 15.99 | 1.96 | 985.44 |
| 36 Health Care(20) | 1908.75 | -0.2 | 1912.18 | 1914.93 | 1910.86 | 1590.33 | 2.68 | 1.76 | 26.52 | 2.08 | 1147.23 |
| 37 Pharmaceuticals(13) | 5229.63 | -1.6 | 5315.86 | 5293.87 | 5338.90 | 3514.13 | 3.14 | 1.69 | 23.55 | 0.05 | 1746.66 |
| 38 Tobacco(1) | 4862.29 | -1.9 | 4955.47 | 4917.35 | 4951.23 | 3741.77 | 4.93 | 1.94 | 13.06 | 0.00 | 1178.33 |
| 40 SERVICES(253) | 2297.44 | -0.7 | 2312.69 | 2300.89 | 2307.18 | 1857.75 | 2.97 | 2.11 | 19.89 | 11.04 | 1183.00 |
| 41 Distributors(32) | 2625.95 | -0.7 | 2643.29 | 2630.14 | 2624.59 | 2272.58 | 3.65 | 1.79 | 19.11 | 0.00 | 955.72 |
| 42 Leisure & Hotels(23) | 2849.78 | -0.7 | 2869.62 | 2811.73 | 2794.80 | 2087.42 | 2.92 | 1.94 | 22.01 | 104.50 | 1515.59 |
| 43 Media(46) | 3725.72 | -0.1 | 3729.37 | 3693.58 | 3713.46 | 2764.50 | 2.09 | 2.22 | 26.92 | 7.49 | 1338.19 |
| 44 Retailers, Food(15) | 1924.71 | -1.3 | 1950.37 | 1972.42 | 1995.87 | 1805.52 | 3.80 | 2.41 | 13.69 | 2.67 | 1206.86 |
| 45 Retailers, General(43) | 1918.77 | -0.7 | 1933.18 | 1981.21 | 1935.86 | 1531.97 | 3.09 | 2.27 | 17.84 | 2.98 | 1063.34 |
| 47 Breweries, Pubs & Rest.(24) | 2960.92 | -0.2 | 2968.26 | 2945.36 | 2947.19 | 2232.89 | 3.33 | 2.08 | 18.02 | 12.52 | 1410.34 |
| 48 Support Services(49) | 1981.53 | -0.3 | 1986.55 | 1966.86 | 1946.71 | 1443.12 | 2.37 | 2.53 | 20.89 | 1.81 | 1248.06 |
| 49 Transport(21) | 2284.90 | -1.8 | 2326.48 | 2315.86 | 2330.08 | 2164.88 | 3.79 | 1.39 | 23.73 | 1.17 | 938.61 |
| 60 UTILITIES(33) | 2450.24 | -0.4 | 2459.16 | 2431.41 | 2412.40 | 2363.51 | 5.06 | 2.00 | 12.34 | 27.11 | 1036.38 |
| 62 Electricity(12) | 2757.29 | -0.3 | 2764.85 | 2725.91 | 2703.55 | 2394.31 | 5.04 | 2.60 | 9.55 | 104.64 | 1334.44 |
| 64 Gas Distribution(2) | 1626.27 | +2.5 | 1586.77 | 1580.62 | 1590.46 | 2022.85 | 7.37 | 1.04 | 16.31 | 0.00 | 815.92 |
| 66 Telecommunications(7) | 1991.68 | -1.4 | 2020.16 | 1993.81 | 1971.10 | 2036.92 | 4.24 | 1.74 | 16.93 | 0.00 | 901.49 |
| 68 Water(12) | 2114.48 | +0.5 | 2103.77 | 2090.30 | 2075.75 | 1672.81 | 5.77 | 2.59 | 8.37 | 3.61 | 1146.66 |
| 69 NON-FINANCIALS(667) | 1940.84 | -0.8 | 1955.75 | 1941.60 | 1943.20 | 1636.57 | 3.76 | 1.95 | 17.06 | 7.07 | 1452.93 |
| 70 FINANCIALS(106) | 2939.42 | -0.8 | 2962.87 | 2948.66 | 2952.78 | 2105.44 | 3.85 | 2.32 | 13.96 | 0.62 | 1241.64 |
| 71 Banks, Retail(8) | 4189.38 | -1.2 | 4238.71 | 4215.59 | 4223.01 | 2767.10 | 3.57 | 2.60 | 13.44 | 0.00 | 1342.95 |
| 72 Banks, Merchant(6) | 3520.73 | ..... | 3521.84 | 3550.49 | 3558.17 | 3079.99 | 2.65 | 2.41 | 19.61 | 0.00 | 1103.72 |
| 73 Insurance(24) | 1419.98 | -0.6 | 1428.64 | 1423.76 | 1426.16 | 1152.84 | 5.14 | 2.69 | 9.05 | 0.26 | 1040.90 |
| 74 Life Assurance(6) | 3496.20 | ..... | 3497.09 | 3480.47 | 3478.18 | 2318.50 | 3.99 | 1.53 | 20.46 | 0.00 | 1424.36 |
| 77 Other Financial(23) | 2473.56 | ..... | 2472.53 | 2462.83 | 2441.63 | 1845.39 | 3.61 | 1.87 | 18.49 | 1.06 | 1387.49 |
| 79 Property(41) | 1445.83 | -0.2 | 1449.32 | 1448.85 | 1452.88 | 1363.69 | 4.31 | 1.32 | 22.03 | 2.51 | 878.34 |
| 80 INVESTMENT TRUSTS(127) | 3146.62 | -0.3 | 3156.65 | 3141.02 | 3145.95 | 2611.56 | 2.12 | 1.05 | 56.17 | 4.31 | 1090.45 |
| 89 FT-SE-A ALL-SHARE(902) | 1838.74 | -0.8 | 1852.65 | 1840.21 | 1841.96 | 1508.21 | 3.71 | 2.00 | 16.85 | 5.43 | 1532.23 |
| FT-SE-A Fledgling | 1142.24 | ..... | 1142.26 | 1139.63 | 1138.35 | 986.10 | 2.96 | 2.17 | 19.50 | 2.55 | 1182.70 |
| FT-SE-A Fledgling ex Inv Trusts | 1137.15 | ..... | 1136.66 | 1135.20 | 1135.16 | 988.32 | 3.25 | 2.37 | 16.25 | 2.66 | 1176.67 |

### ■ Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3763.0 | 3764.4 | 3758.0 | 3761.7 | 3761.9 | 3758.2 | 3753.4 | 3744.6 | 3750.2 | 3764.7 | 3743.1 |
| FT-SE Mid 250 | 4148.1 | 4148.7 | 4147.7 | 4147.0 | 4144.0 | 4142.2 | 4140.7 | 4137.9 | 4137.1 | 4149.3 | 4135.4 |
| FT-SE-A 350 | 1871.7 | 1872.2 | 1869.7 | 1871.0 | 1870.8 | 1868.4 | 1867.2 | 1863.5 | 1865.6 | 1872.4 | 1862.9 |

Time of FT-SE 100 Day's high: 9.07am Day's low: 2.53pm. FT-SE 100 1995/96 High: 3781.3 (2/2/96) Low: 3576.9 (19/12/95).

### ■ FT-SE Actuaries 350 Industry baskets

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | 1076.9 | 1077.4 | 1077.6 | 1077.6 | 1075.3 | 1075.3 | 1074.8 | 1074.6 | 1074.1 | 1073.6 | 1077.8 | -4.2 |
| Pharmaceuticls | 5232.7 | 5242.1 | 5233.9 | 5229.7 | 5236.0 | 5223.0 | 5217.5 | 5187.2 | 5189.6 | 5173.0 | 5257.5 | -84.5 |
| Water | 2100.6 | 2101.4 | 2100.5 | 2100.8 | 2100.8 | 2101.6 | 2102.9 | 2106.6 | 2108.8 | 2107.7 | 2096.9 | +10.8 |
| Banks, Retail | 4251.5 | 4255.9 | 4252.5 | 4263.5 | 4262.1 | 4250.4 | 4246.8 | 4240.1 | 4247.1 | 4242.8 | 4292.8 | -50.0 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

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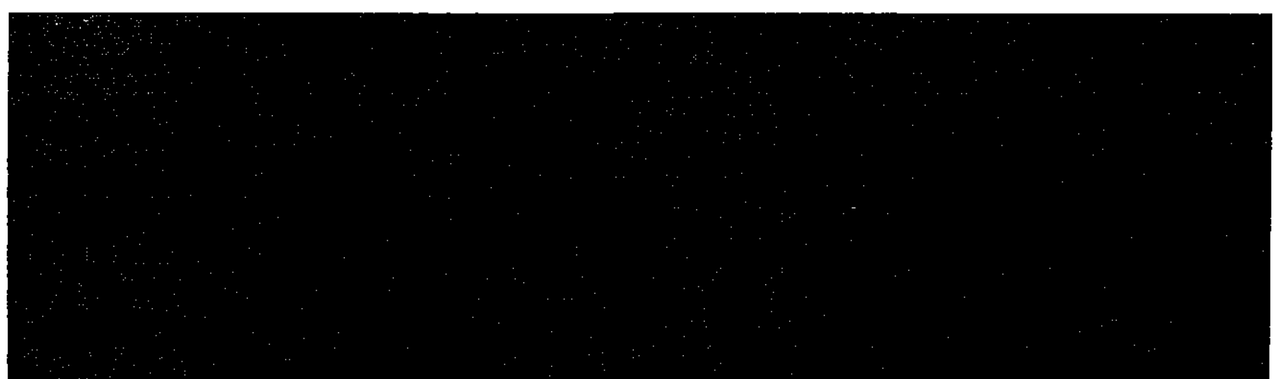
### TRADING VOLUME

■ **Major Stocks Yesterday**

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| 3i | [illegible] | [illegible] | [illegible] |
| ASDA Group | [illegible] | [illegible] | [illegible] |
| Abbey National | [illegible] | [illegible] | [illegible] |

Based on trading volume for a selection of securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are in millions.



# WORLD STOCK MARKETS



## SWEDEN (Feb 5 / Kronor)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| AGA A | 102.50 | +.50 | 102.50 | 67 | 2.2 | ... |
| AGA B | 102 | +1 | 142.50 | 66.50 | 2.2 | ... |
| Asea A | 658 | +1 | 710 | 454 | 1.7 | ... |
| Asea B | 658 | ... | 707 | 465 | 1.8 | ... |

## INDICES

| | Feb 5 | Feb 2 | Feb 1 | 1995/96 High | | 1995/96 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** General(29/12/77) | (u) | 17927.21 | 18032.20 | 18191.56 | 31/1/96 | 9831.09 | 9/3/95 |
| **Australia** All Ordinaries(1/1/80) | 2271.7 | 2293.2 | 2285.1 | 2293.20 | 2/2/96 | 1823.30 | 8/2/95 |
| All Mining(1/1/80) | 1056.7 | 1058.5 | 1028.8 | 1058.59 | 2/2/96 | 796.30 | 8/2/95 |
| **Austria** Credit Aktien(30/12/84) | 382.59 | 385.49 | 384.77 | 385.42 | 2/1/95 | 328.50 | 27/10/95 |
| Traded Index(2/1/91) | 1075.45 | 1084.51 | 1082.37 | 1088.57 | 31/1/96 | 882.15 | 23/10/95 |
| **Belgium** BEL20(1/1/91) | 1695.99 | 1704.53 | 1715.74 | 1715.74 | 1/2/96 | 1271.53 | 9/3/95 |
| **Brazil** Bovespa(29/12/83) | (u) | 54109.0 | 52694.0 | 54109.00 | 2/2/95 | 21382.00 | 9/3/95 |
| **Canada** Metals Minls(1975) | (u) | 5251.35 | 5221.86 | 5266.37 | 23/11/95 | 3806.83 | 1/3/95 |
| Composite(1975) | (u) | 5032.0 | 5011.10 | 5032.00 | 2/2/96 | 3891.41 | 30/1/95 |
| Portfolio(4/1/83) | (u) | 2472.35† | 2470.81 | 2472.35 | 2/2/96 | 1953.36 | 30/1/95 |
| **Chile** IPSA Gen(31/12/80) | (u) | 5752.22 | 5730.12 | 6383.10 | 11/7/95 | 4576.90 | 9/3/95 |
| **Denmark** CopenhagenSE(3/1/83) | 386.46 | 388.06 | 389.12 | 389.29 | 25/1/96 | 330.01 | 29/3/95 |
| **Finland** HEX General(28/12/90) | 1795.79 | 1812.94 | 1781.62 | 2332.22 | 14/9/95 | 1555.30 | 29/3/95 |
| **France** SBF 250(31/12/90) | 1331.29 | 1337.73 | 1338.17 | 1338.17 | 1/2/96 | 1154.41 | 13/3/95 |
| CAC 40(31/12/87) | 1985.59 | 2022.21 | 2024.09 | 2024.09 | 1/2/96 | 1721.14 | 23/10/95 |
| **Germany** FAZ Aktien(31/12/58) | 866.22 | 876.85 | 882.59 | 882.59 | 1/2/96 | 768.87 | 30/3/95 |
| Commerzbank(1/12/53) | 2513.0 | 2547.40 | 2559.50 | 2559.60 | 31/1/96 | 2018.70 | 30/3/95 |
| DAX(30/12/87) | 2419.24 | 2452.06 | 2458.26 | 2470.14 | 31/1/96 | 1910.96 | 28/3/95 |
| **Greece** Athens SE(31/12/80) | 982.07 | 980.63 | 994.40 | 998.36 | 22/1/96 | 787.15 | 16/3/95 |
| **Hong Kong** Hang Seng(31/7/64) | 11484.12 | 11469.40 | 11362.90 | 11484.12 | 5/2/96 | 6967.93 | 23/1/95 |
| **India** BSE Sens.(1979) | 3233.32 | 3172.83 | 3001.42 | 3932.08 | 2/1/95 | 2826.08 | 25/1/96 |
| **Japan** Topix(4/1/68) | 1601.00 | 1617.51 | 1624.52 | 1632.03 | 5/1/96 | 1193.16 | 13/6/95 |
| 2nd Section(4/1/68) | 2110.31 | 2119.19 | 2108.93 | 2130.86 | 4/1/95 | 1441.98 | 13/6/95 |
| **Malaysia** KLSE Comp.(4/4/86) | 1079.88 | 1073.18 | (c) | 1086.04 | 5/6/95 | 940.87 | 24/1/95 |
| **Mexico** IPC(Nov 1978) | (u) | 3101.92 | 3078.21 | 3181.92 | 2/2/96 | 1447.82 | 27/2/95 |
| **Netherland** CBS TtlRtnGen(End 83) | 552.8 | 558.2 | 556.8 | 558.29 | 2/2/96 | 422.90 | 23/3/95 |
| CBS All Shr(End 83) | 334.7 | 338.0 | 337.2 | 338.80 | 2/2/96 | 285.20 | 23/3/95 |
| **New Zealand** Cap. 40(1/7/86) | 2109.37 | 2102.50 | 2111.47 | 2208.02 | 20/10/95 | 1901.43 | 5/1/95 |
| **Norway** Oslo SE Ind(2/1/83) | 1274.60 | 1280.44 | 1277.30 | 1316.20 | 8/1/96 | 1096.60 | 10/3/95 |
| **Philippines** Manila Comp(2/1/85) | 2919.24 | 2927.26 | 2900.83 | 2959.12 | 10/7/95 | 2198.46 | 20/11/95 |
| **Portugal** BTA(1977) | 2654.5 | 2656.5 | 2643.8 | 2911.80 | 9/1/95 | 2412.80 | 22/11/95 |
| **Singapore** SES All-S'pore(2/4/75) | 610.37 | 603.56 | 600.98 | 618.37 | 5/2/96 | 472.80 | 23/1/95 |
| **South Africa** JSE Gold(28/9/78) | 1878.7 | 1903.2 | 1748.3 | 2023.00 | 2/1/95 | 1280.20 | 30/10/95 |
| JSE Ind.(28/9/78) | 8542.5 | 8605.5 | 8619.4 | 8739.30 | 25/1/96 | 6222.88 | 31/1/95 |
| **South Korea** KoreaCmpEx(4/1/80) | 890.68 | 881.52 | 885.13 | 1027.37 | 2/1/95 | 842.72 | 20/1/96 |
| **Spain** Madrid SE(30/12/85) | 327.34 | 330.57 | 331.88 | 331.88 | 1/2/96 | 264.06 | 23/3/95 |
| **Sweden** AffarsvardnGen(1/2/37) | 1776.6 | 1795.6 | 1779.4 | 1872.18 | 19/9/95 | 1430.80 | 29/3/95 |
| **Switzerland** Swiss Bk Ind(31/12/58) | 1536.01 | 1555.30 | 1554.38 | 1578.80 | 4/1/96 | 1174.83 | 13/3/95 |
| SBC General(1/4/87) | 1126.50 | 1141.40 | 1143.33 | 1165.59 | 4/1/96 | 970.58 | 13/3/95 |
| **Taiwan** Weighted Pr.(30/6/66) | 4759.25 | 4791.32 | 4775.26 | 7081.49 | 5/1/95 | 4603.37 | 14/8/95 |
| **Thailand** Bangkok SET(30/4/75) | 1410.98 | 1412.61 | 1399.60 | 1472.84 | 10/7/95 | 1136.88 | 16/3/95 |
| **Turkey** Istanbul Comp.(Jan 1986) | 52298.3 | 50911.9 | 51437.3 | 54863.90 | 21/4/95 | 24844.30 | 23/1/95 |

## US INDICES

| Dow Jones | Feb 2 | Feb 1 | Jan 31 | 1995/96 High | 1995/96 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 5373.99 | 5405.06 | 5395.30 | 5405.06 (1/2/96) | 3832.08 (30/1/95) | 5405.06 (1/2/96) | 41.22 (2/7/32) |
| Home Bonds | 105.91 | 105.80 | 105.75 | 106.91 (2/2/96) | 93.63 (3/1/95) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1960.22 | 1943.85 | 1946.74 | 2082.11 (5/12/95) | 1473.19 (3/1/95) | 2082.11 (5/12/95) | 12.32 (8/7/32) |
| Utilities | 228.90 | 230.29 | 230.85 | 230.85 (31/1/96) | 183.03 (3/1/95) | 258.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 5442.98 (5438.29 ) Low 5338.94 (5335.89 ) (Theoretical)
Day's high 5410.84 (5405.06 ) Low 5357.37 (5370.37 ) (Actual)

| Standard and Poors | Feb 2 | Feb 1 | Jan 31 | 1995/96 High | 1995/96 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite‡ | 635.84 | 638.46 | 636.02 | 638.46 (1/2/96) | 459.11 (3/1/95) | 638.46 (1/2/96) | 4.40 (1/6/32) |
| Industrials | 746.95 | 750.22 | 745.02 | 760.22 (1/2/96) | 546.28 (3/1/95) | 760.22 (1/2/96) | 3.62 (21/6/82) |
| Financial | 64.09 | 64.47 | 65.07 | 65.07 (31/1/96) | 41.64 (3/1/95) | 65.07 (31/1/96) | 8.64 (1/10/74) |
| NYSE Comp. | 340.08 | 341.23 | 340.03 | 341.23 (1/2/96) | 250.73 (3/1/95) | 341.23 (1/2/96) | 4.46 (25/4/42) |
| Amex Mkt Val | 555.54 | 555.88 | 554.10 | 555.88 (1/2/96) | 433.12 (6/1/95) | 555.88 (1/2/96) | 29.31 (9/12/72) |
| NASDAQ Cmp | 1072.11 | 1069.45 | 1059.79 | 1072.11 (2/2/96) | 743.58 (3/1/95) | 1072.11 (2/2/96) | 54.87 (31/10/72) |

### ■ RATIOS

| | Feb 2 | Jan 26 | Jan 19 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.19 | 2.24 | 2.28 | 2.73 |
| | Jan 31 | Jan 24 | Jan 17 | Year ago |
| S & P Ind. Div. yield | 1.91 | 1.95 | 2.01 | 2.42 |
| S & P Ind. P/E ratio | 19.43 | 18.98 | 18.42 | 16.96 |

### ■ NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Kmart | 9,903,300 | 7¼ | +⅛ |
| WalMart | 5,431,300 | 21⅛ | −¼ |
| Hasbro | 5,352,200 | 15⅛ | +⅛ |
| Baxter Intl | 4,476,800 | 42⅝ | −2⅛ |

### ■ TRADING ACTIVITY

● Volume (million)

| | Feb 2 | Feb 1 | Jan 31 |
|---|---|---|---|
| New York SE | 418.487 | 458.736 | 472.058 |
| Amex | 34.682 | 38.679 | 28.405 |
| NASDAQ | 573.786 | 594.923 | 574.269 |

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.



### ■ TOKYO - MOST ACTIVE STOCKS: Monday, February 5, 1996

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Rhythm Watch | 20.8m | 615 | +100 |
| Kyokuyo | 13.3m | 1110 | +90 |
| Mitsui Sugar | 12.6m | 635 | +81 |
| Japan Energy | 12.3m | 363 | -7 |
| Mitsui Min & Sml | 7.2m | 471 | +10 |
| Sumitomo Mtl Min | 7.1m | 1070 | +20 |
| Nippon Steel Corp | 6.9m | 365 | -7 |
| Japan Paper Ind | 6.6m | 1170 | +70 |
| NKK Corp | 5.9m | 306 | -3 |
| Takara Shuzo | 5.8m | 1330 | -40 |

*4 pm close February 5*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1995/96 High | Low | Stock | Div | Yld. % | P/ E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 22½ | 12⅛ | AAR x | 0.48 | 2.4 | 24 | 183 | 20⅝ | 20 | 20 | -¾ |
| 46¼ | 35 | AMP x | 1.00 | 2.5 | 20 | 6989 | 40 | 39¼ | 39⅞ | +½ |
| 80¼ | 53⅞ | AMR | | | 31 | 5258 | 78½ | 77¼ | 78⅛ | |
| 50⅛ | 36⅞ | ASA | 2.00 | 4.0 | 32 | 2072 | u50⅛ | 49¼ | 49½ | -⅛ |
| 44¾ | 30½ | AbbotL | 0.84 | 1.9 | 20 | 10524 | 43½ | 42¾ | 43⅜ | +⅞ |
| 18⅞ | 12 | Abitibi Pr | 0.40 | 2.4 | 8 | 561 | 16⅝ | 16⅜ | 16⅝ | |
| 28½ | 21 | ABM Ind | 0.70 | 2.6 | 14 | 57 | 27¾ | 27 | 27 | -¾ |
| 17½ | 13⅛ | Acptnceln | | | 10 | 195 | 15⅞ | 14⅞ | 15¼ | |
| 44⅞ | 21⅞ | ACE Ltd | 0.56 | 1.2 | 10 | 556 | u44⅞ | 44½ | 44⅞ | +⅛ |
| 9⅞ | 8⅛ | ACM Gvt In x | 0.90 | 9.4 | 8 | 337 | 9¾ | 9⅝ | 9⅝ | |
| 7⅞ | 6½ | ACM GvOpp x | 0.66 | 8.5 | | 130 | 7¾ | 7⅝ | 7¾ | |
| 7½ | 5¾ | ACM Gvt Sp x | 0.75 | 10.7 | | 446 | 7⅛ | 7 | 7 | |
| 9 | 7¼ | ACM Gvt Se x | 0.90 | 10.1 | | 407 | u9 | 8⅞ | 8⅞ | |
| 9½ | 7⅝ | ACM Man x | 0.90 | 9.7 | | 380 | 9¼ | 9⅛ | 9¼ | +⅛ |
| 29¼ | 10¼ | AcmeClv x | 0.52 | 2.8 | 4 | 614 | 18⅞ | 18⅝ | 18¾ | +⅛ |
| 38¾ | 7⅞ | Acme Elect | | | 65 | 54 | 8 | 7⅞ | 7⅞ | -⅛ |
| 34½ | 23¾ | Acordia | 0.72 | 2.5 | 15 | 132 | 29 | 28⅝ | 28⅝ | -⅜ |
| 16¾ | 10⅛ | Acuson | | | 46 | 720 | 15 | 14½ | 14⅞ | |
| 19⅝ | 15⅝ | Adams Expr | 0.36 | 1.9 | 0 | 293 | 19⅛ | 19 | 19 | |
| 38⅞ | 18½ | AdvMic | | | 7 | 9490 | 20⅝ | 20 | 20⅝ | +½ |
| 9⅞ | 5 | Advest Grp | 0.16 | 1.6 | 9 | 84 | 9¾ | 9¾ | 9¾ | +⅛ |
| 27½ | 18½ | Aetro Inc | 0.10 | 0.5 | 22 | 627 | 21⅜ | 20⅞ | 21 | -¼ |
| 46¾ | 24.80 | Aegon | 1.28 | 3.1 | 15 | 84 | 41½ | 41⅛ | 41½ | -½ |
| 5⅞ | 3⅞ | Aerfix | | | 6 | 671 | 3¾ | 3⅝ | 3⅝ | -⅛ |
| 76¾ | 45¾ | AetnaL x | 2.76 | 3.7 | 35 | 2063 | 74½ | 73¾ | 74⅜ | -⅛ |
| 49½ | 31⅞ | Aflac | 0.52 | 1.1 | 14 | 2181 | 48⅝ | 48 | 48⅜ | +⅛ |
| [illegible] | | | | | | | | | | |

- A - (continued), - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -, - S -

[illegible]



Continued on next page

4 pm close February 5

# NYSE COMPOSITE PRICES

Continued from previous page

| 1995/96 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 18 | 9 | SFeGd | 0.05 | 0.3 | 59 | 8842 | u18 | 17½ | 17⅞ | +¼ |
| 37⅞ | 30½ | SFePPipe x | 3.00 | 7.9 | 18 | 31 | u37⅞ | 37⅝ | 37¾ | -⅛ |
| 33⅞ | 24¾ | SaraLee | 0.76 | 2.3 | 19 | 4514 | 33⅛ | 32⅝ | 33 | |
| 60¼ | 39⅝ | SBC Cm | 1.65 | 2.8 | 18 | 5161 | 58⅛ | 57¼ | 58⅛ | +½ |
| 28⅝ | 20½ | Scana Corp | 1.44 | 5.2 | 17 | 930 | 27⅞ | 27½ | 27⅞ | +½ |
| 11¼ | 5⅞ | SchrwkA x | 0.26 | 3.2 | 20 | 16 | 8⅛ | 8 | 8⅛ | |
| 50¼ | 37¼ | SchererRP | | | 20 | 1304 | 39⅞ | 39¼ | 39½ | -¼ |
| 60⅛ | 35½ | SchPl x | 1.19 | 2.1 | 23 | 12432 | 56½ | 55¼ | 56⅛ | +⅝ |
| 72 | 50⅛ | Schlmb | 1.50 | 2.2 | 25 | 3737 | 70¾ | 69½ | 69¾ | -1¼ |
| 29 | 11¼ | Schwab(C) x | 0.16 | 0.7 | 24 | 2903 | 24⅛ | 23¾ | 24 | +⅛ |
| 27½ | 20⅜ | SciteMeod | | | | 1188 | 26⅞ | 26⅝ | 26¾ | -¼ |
| 24⅞ | 11⅞ | SciAtl | 0.06 | 0.3 | 38 | 5743 | 17½ | 16¾ | 17½ | +⅝ |
| 20 | 15⅛ | Scotman | 0.10 | 0.6 | 11 | 111 | 17⅛ | 17 | 17⅛ | |
| 42¼ | 26⅞ | Scripps | 0.52 | 1.2 | 25 | 617 | 41⅞ | 40⅞ | 41⅞ | -⅛ |
| 21½ | 13⅞ | ScuddrNAsF | 0.02 | 0.1 | | 336 | 17⅞ | 17⅝ | 17¾ | -⅛ |
| 11⅞ | 8⅝ | ScuddrNEuF | 0.16 | 1.4 | | 499 | 11⅜ | 11¼ | 11⅜ | -⅛ |
| 20 | 13⅛ | SeaCnB | 0.70 | 4.1 | 1 | 2 | 16⅞ | 16⅞ | 16⅞ | |
| 16¼ | 14⅝ | SeaCl,4625 | 1.46 | 9.4 | | 19 | 15⅝ | 15½ | 15½ | -⅛ |
| 60⅞ | 29⅝ | Sgate | | | 11 | 13516 | u60⅞ | 58⅛ | 60⅜ | +1¾ |
| 39½ | 25⅝ | Seagrm | 0.60 | 1.7 | 24 | 5785 | 36⅛ | 35 | 35¾ | -⅜ |
| 22½ | 15¾ | Seagull En | | | 968 | 858 | 19⅜ | 18⅞ | 19⅜ | +½ |
| 31⅝ | 18 | Sealed Air | | | 25 | 744 | d31⅝ | 30¼ | 31½ | +1⅛ |
| 43⅝ | 30⅜ | SearsR | 0.92 | 2.2 | 11 | 5078 | 41⅞ | 40¾ | 41¾ | +⅛ |
| 20½ | 18⅝ | SecCapGBl x | 1.24 | 6.4 | 22 | 857 | 19¾ | 19¼ | 19½ | -¼ |
| 12⅞ | 10⅛ | Seligm Sel | 0.84 | 6.6 | | 60 | u12⅞ | 12¾ | 12¾ | |
| 38¼ | 13⅝ | Sensormat x | 0.22 | 1.4 | 14 | 6827 | 15⅞ | 15 | 15¾ | +⅝ |
| 34¼ | 21⅞ | SequaA | 0.60 | 1.9 | 14 | 80 | 32¼ | 32 | 32¼ | +¼ |

# NASDAQ NATIONAL MARKET

4 pm close February 5

# AMEX COMPOSITE PRICES

4 pm close February 5

FINANCIAL TIMES
Tuesday February 6 1996

AMERICA

# Nasdaq rises as Dow stocks settle back

## Wall Street

US shares were mixed in midday trading as big companies continued to give up some of last week's gains, while the technology-rich Nasdaq composite rose, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 15.18 at 5,358.81. The Standard & Poor's 500 was 0.74 lower at 635.11 and the American Stock Exchange composite fell 0.86 to 554.68. NYSE volume was 195m shares.

Weakness in both the bond and currency markets weighed on equities yesterday. Bonds were lower as traders prepared for a wave of new supply to hit the market, starting today, and the dollar fell amid concern that the German economy might not be weakening as much as many traders originally believed.

Meanwhile, the Nasdaq rose 2.92 to 1,075.03 on increases in some of its biggest computer-related components. Microsoft added $1⅞ at $94⅞ and Intel gained $⅞ at $57⅞. Dell Computer jumped $2¼ or 8 per cent to $31¾.

Shares in several Nasdaq-traded health maintenance organisations, however, slipped on uncertainty about medical costs. US Healthcare, which early yesterday announced stronger than expected fourth-quarter earnings but warned that medical costs would grow this year, dropped $4 or 8 per cent to $44⅞. Oxford Health Plans, which is due to report results today, shed $2¾ or 4 per cent to $63½.

W.R. Grace added $⅞ at $69⅞ on news that Fresenius, the German healthcare group, had topped Baxter International's $3.8bn bid for Grace's National Medical Care unit. On Friday, Grace leapt $7⅝ or 12 per cent to $69¼ on news of Baxter's unsolicited bid.

Two components of the Dow – Goodyear Tire & Rubber and Minnesota Mining and Manufacturing – posted fourth-quarter earnings in line with Wall Street expectations early yesterday. Goodyear lost $⅝ at $47 after reporting earnings of 96 cents a share and 3M fell $⅞ to $65¼ after putting operating earnings at 75 cents a share.

## Canada

Toronto was weak in midsession trade as profits were taken after last week's record setting rally. The TSE 300 composite index had fallen 20.04 by noon to 5,011.93 in volume of 47.7m shares.

Golds showed relative strength after Goldman Sachs upgraded its ratings on several producers. However, Barrick Gold traded just C$⅛ higher at C$43⅝, unable to sustain a year's peak of C$44¼, and TVX Gold turned back after an early advance to stand C$⅛ easier at C$14⅛.

Among weak communications stocks, Northern Telecom surrendered C$1 at C$61⅞ and Tee-Comm Electronics sank C$1¾ to C$14.

Canadian Imperial Bank of Commerce lost C$⅝ at C$40⅝.

# São Paulo down 1.5%

Although MEXICO CITY was closed for a public holiday, the region was relatively active in midsession dealings. Bear Stearns said yesterday that it had readjusted its recommended weightings for Latin American stocks, moving to an overweight position in Argentina and Brazil in its model portfolio, and reducing Mexican exposure to "significant underweight".

SAO PAULO drifted lower, with dealers suggesting that profit-taking was to blame following the market's steady progress since the start of the year. By midday the Bovespa index was down 820.58 or 1.5 per cent at 53,288.

● Lehman Brothers said yesterday that it had reduced its earnings forecasts for Mexican stock Telmex, but added that nevertheless it was maintaining an "outperform" rating. Specifically, Lehman reported that it had lowered estimates for Telmex to 37 cents per ADS, from 53 cents, for the fourth quarter of 1995 and to $2.50, from $2.65, for the full 1995 year.

### MARKETS IN PERSPECTIVE

| | % change in local currency † | | | | % change sterling † | % change in US $ † |
|---|---|---|---|---|---|---|
| | 1 Week | 4 Weeks | 1 Year | Start of 1995 | Start of 1995 | Start of 1995 |
| Austria | +1.36 | +5.59 | +6.35 | -1.73 | +5.58 | +2.51 |
| Belgium | +3.20 | +4.28 | +24.86 | +22.80 | +31.69 | +27.86 |
| Denmark | +0.01 | +5.26 | +11.30 | +12.30 | +22.39 | +18.82 |
| Finland | +5.61 | +6.48 | -3.09 | -4.02 | -2.76 | -0.24 |
| France | +2.73 | +5.69 | +12.67 | +9.09 | +17.38 | +13.96 |
| Germany | +1.00 | +5.01 | +18.46 | +14.12 | +22.51 | +18.94 |
| Ireland | +0.55 | +0.56 | +22.65 | +23.28 | +28.92 | +25.16 |
| Italy | +5.10 | +8.49 | -2.91 | +2.98 | +8.93 | +5.75 |
| Netherlands | +0.50 | +2.64 | +22.61 | +21.58 | +30.48 | +26.67 |
| Norway | +1.49 | -1.06 | +4.45 | +3.72 | +11.34 | +8.09 |
| Spain | +0.53 | +1.55 | +19.40 | +19.19 | +29.11 | +25.34 |
| Sweden | +4.94 | +2.10 | +20.96 | +25.67 | +38.43 | +34.39 |
| Switzerland | +2.35 | -2.30 | +28.93 | +25.49 | +38.78 | +34.73 |
| UK | +1.31 | +1.99 | +23.72 | +22.22 | +22.22 | +18.66 |
| EUROPE | +1.86 | +2.88 | +19.38 | +17.86 | +23.80 | +20.18 |
| Australia | +2.06 | +1.03 | +22.19 | +19.22 | +19.49 | +16.02 |
| Hong Kong | +3.67 | +9.77 | +52.68 | +37.18 | +41.39 | +37.27 |
| Japan | +0.99 | -1.66 | +11.76 | +4.04 | +0.22 | -2.70 |
| Malaysia | +1.76 | +2.06 | +24.09 | +8.61 | +11.91 | +8.65 |
| New Zealand | +1.86 | -4.57 | +3.09 | +7.84 | +17.40 | +14.00 |
| Singapore | +3.38 | +7.22 | +28.63 | +19.57 | +26.63 | +22.94 |
| Canada | +2.27 | +3.89 | +23.25 | +18.98 | +25.12 | +21.48 |
| USA | +2.28 | +3.27 | +33.73 | +37.98 | +42.13 | +37.98 |
| Mexico | +0.44 | +2.36 | +53.78 | +28.64 | -11.87 | -14.44 |
| South Africa | +0.28 | +7.73 | +51.34 | +16.48 | +33.92 | +30.01 |
| WORLD INDEX | +1.90 | +2.18 | +22.93 | +20.38 | +22.99 | +19.40 |

† Based on February 2 1996. 

EUROPE

# Senior bourses fall on weakness in bonds, dollar

Falling bond markets and a weaker dollar knocked share prices across Europe yesterday, *writes Our Markets Staff.*

Mr Michael Hughes, global strategist at BZW in London, said that bonds were having a reaction because: "Given the amount of reflation being attempted by governments around the world, people have started to ask whether there might be inflationary pressures down the road."

FRANKFURT's turnover dropped again, from DM9.6bn to DM7.9bn, and the dollar-sensitive cyclicals took more punishment as the Dax index fell 42.97 or 1¾ per cent to an Ibis-indicated 2,416.84.

However, the outstanding share price movement of the day was a winner: Fresenius prefs closed Ibis trading DM14.50 or 11.15 per cent higher at a new peak of DM144.50 after the German company, a world leader in products for dialysis therapy, agreed to merge its kidney dialysis business with that of Grace's National Medical Care unit, the biggest US provider of kidney dialysis.

Fresenius was capitalised at DM2.6bn ahead of the event; NMC agreed to borrow, and pay Grace $2.3bn (DM3.4bn) as part of the deal; and analysts yesterday wondered whether Fresenius might have bitten off more than it could chew.

Elsewhere, a 38 per cent drop in net profits at Asko left the retailer down DM36 at DM810; but a sustained profits forecast from Metallgesellschaft pushed the revived conglomerate 36 pfgs higher to DM36.10.

PARIS saw an element of profit-taking following the market's solid gains over the previous week. The CAC-40 index receded 36.62 or 1.8 per cent to 1,985.59. Turnover was under FFr4bn.

Michelin confirmed that it would be carrying out a major reorganisation but the shares were FFr4 easier at FFr214.20. Usinor, dropped FFr3.45 to FFr73.30 in line with the trend, although its International Metal Service division announced an increase in its turnover for 1995.

Renault slipped FFr5.70 to FFr145.20 after noting that the second half of 1995 had been "difficult", but it expected an improvement during the forthcoming 12 months.

AMSTERDAM's financials suffered from the bond market collapse as the AEX index dived 6.22 or 1.2 per cent to 498.37. ING closed Fl 2.50 cheaper at Fl 105.50, while ABN Amro eased Fl 1.90 to Fl 71.10 and Aegon Fl 1.80 to Fl 67.70. Hoogovens, one of the market's favourite cyclicals, lost 30 cents at Fl 61.20.

Fokker, which had no influence on the index since it trades on an unofficial market reserved for companies in financial difficulty, was the subject of considerable speculative activity.

The shares climbed Fl 1.35 or 40 per cent to Fl 4.70 on rumours that at least five major companies worldwide had expressed serious interest in buying the company.

Philips declined 40 cents to Fl 67. After the close it noted that it would include an extraordinary loss of Fl 300m in its 1995 figures after consolidating a DM270m provision by its Grundig unit.

ZURICH dropped 1.5 per cent on concern that domestic interest rates were likely to head higher. The SMI index fell 48.3 to 3,221.7, also pressured by the dollar.

Financials were hard hit. UBS bearers lost SFr23 to SFr1,247, while Zurich Insurance dipped SFr8 to SFr319 and Swiss Re gave up SFr30 to SFr1,194.

Nestlé retreated SFr15 to SFr1,269 in spite of upbeat comments on the outlook for 1996 profits from the chairman and chief executive.

Among pharmaceuticals, Roche certificates relinquished SFr180 at SFr8,760.

Alusuisse, down SFr8 at SFr953, fell less sharply than the market, as it continued to benefit from positive sentiment after Friday's preliminary net profits estimate. Adia, up SFr2 at SFr210, and SMH bearers, SFr6 better at SFr733, benefited from positive brokers' reports.

MILAN closed off the day's lows after profit-taking following last week's rally. The Comit index lost 4.49 at 626.07 and the real-time Mibtel index finished 127 weaker at 9,989, up from 9,964.

Fiat fell L109 to L5,168 after a forecast from the chief operating officer that the group would record only limited growth in sales this year.

Snia, the chemicals company controlled by Fiat, was automatically suspended after rising L56.6 to L633 in hefty volume of 715,000 shares, compared with the recent daily average of 30,000. Analysts suggested that the activity might be linked to speculation about a revival of the SuperGemina plan, involving Snia.

Olivetti fell L13.4 to L958.1 and the De Benedetti controlled Cofide lost L10.9 to L569.2 as Mr Carlo de Benedetti said that "unknown" buyers had snapped up more than 5 per cent of the company on the market on Friday.

BRUSSELS also followed bonds lower and the Bel-20 index finished the session with a decline of 18.54 or 1 per cent at 1,685.99.

There was widespread selling, although many investors took the opportunity to sell financials in particular. Générale Bank gave up BFr250 to BFr11,375 and Kredietbank eased BFr160 to BFr8,690.

Dollar weakness also played its part. Petrofina, which announced 1995 earnings last week that were more or less in line with expectations, retreated BFr140 to BFr8,720.

WARSAW was a shade easier after striking a new 52-week high on Friday, and the decline in turnover was a reflection that leading institutional investors were staying out of the market for the time being.

The Wig index softened 0.5 per cent to 10,452.4, as turnover fell by almost 20 per cent to 148m zlotys.

Chartists observed that the Wig was likely to find strong support at the 10,000 level, while a period of stabilisation or even a correction would be beneficial.

Written and edited by William Cochrane, Michael Morgan and John Pitt

### FT-SE Actuaries Share Indices

Feb 5 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1554.78 | 1553.52 | 1555.54 | 1550.00 | 1550.23 | 1548.51 | 1548.02 | 1548.16 |
| FT-SE Eurotrack 200 | 1665.67 | 1665.12 | 1664.79 | 1663.33 | 1662.12 | 1659.05 | 1657.35 | 1658.34 |

| | Feb 2 | Feb 1 | Jan 31 | Jan 30 | Jan 29 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1568.84 | 1570.74 | 1559.54 | 1549.40 | 1539.25 |
| FT-SE Eurotrack 200 | 1675.89 | 1670.62 | 1682.09 | 1658.45 | 1654.61 |

Base 1000 (26/10/90) High/day: 100 - 1555.52 200 - 1665.67 Low/day: 100 - 1547.03 200 - 1655.41 † Partial

ASIA PACIFIC

# Nikkei off 1.2%, Taipei again hit by China worries

## Tokyo

A slide in the dollar, and consolidation after last week's gains, were blamed as the Nikkei average fell 1.2 per cent, *writes Our Markets Staff.*

The 225-share index finished 250.65 down at 20,653.38 after a day's low of 20,623.88 and high of 20,882.20. Institutional investors took profits in low-priced, large-capital issues, last week's strong performers.

Volume fell to 516m shares from 773m and declines led rises by 821 to 274, with 129 issues unchanged. The Topix index of all first section stocks lost 16.51 at 1,601.00 and the Nikkei 300 was off 3.08 at 298.45.

In London the ISE/Nikkei 50 index shed 4.50 to 1,395.88.

With sentiment weakened by the yen's rebound, electronics exporters were mostly weaker. Canon dipped Y40 to Y1,960, Toshiba Y8 to Y832 and Matsushita Electric Y40 to Y1,720.

Dealers, however, were encouraged by active individual buying in speculative and resource-related shares. Non-ferrous metals issues were lifted by the recent strength of bullion, Sumitomo Metal Mining rising Y20 to Y1,070 and Mitsui Mining & Smelting Y10 to Y471.

Meanwhile, Green Cross soared Y27 to Y755 in response to a newspaper report on its development of a genetically engineered serum, albumin. Rhythm Watch was both the most heavily traded stock on the first section and the biggest percentage gainer, putting on its daily limit of Y100 at Y615 in 20.8m shares dealt. Traders said the main attraction of shares in the clock maker appeared to be their volatility.

Nintendo dropped Y170 to Y7,540 after it delayed the launch of its new 64-bit game machine in the US until September 30 this year from the original target of April, citing difficulty in making enough hardware due to a chip supply shortage.

Daiwa Bank receded Y12 to Y778 after saying that it had ended its banking operations in the US, selling them to Sumitomo Bank as part of a deal with the US government following a scandal over the operations' huge trading losses.

## Roundup

TAIPEI managed to end off the day's low point following heavy selling at mid-morning after a Hong Kong newspaper reported that China would begin a large military exercise near the island later this week.

The weighted index lost 30.83 or 0.6 per cent at 4,759.25 after touching 4,695.86. Turnover came to T$16.9bn.

Brokers attributed the late rally to possible buying by investors and institutions associated with the ruling Nationalist party. Such groups had been trying to support the market ahead of next month's presidential election. Some purchasing was also noted after an announcement of a 2.3 per cent rise in consumer prices for January. Brokers commented that the increase raised hopes that the central bank could ease monetary policy.

The electronics sector was the most active area as United Microelectronics fell $2 to T$58.

SINGAPORE climbed to a record close on broadly based demand for blue chips by foreign funds. The Straits Times Industrial index, which does not include banks or property shares, rose 15.84 to 2,494.01.

Leading the index higher, Keppel put on 40 cents at S$13.80 and Singapore Press 50 cents at S$15.00.

HONG KONG edged forward on continued rotational buying of utilities and other recent underperformers. The Hang Seng index ended 14.72 firmer at 11,484.12, off an early high of 11,521.06. Turnover dipped to HK$8.9bn.

Analysts said that a quarter percentage point cut in bank rates which took effect yesterday had been fully factored in and failed to influence trade.

HK Telecom added 45 cents at HK$16.10 on talk of another covered warrant issue. It rose 75 cents on Friday.

China Light climbed 70 cents to HK$38.70 on news that the company had proposed co-operation with HK Electric on power generation.

SEOUL finished higher on a strong performance by financials, although some late profit-taking brought shares back from their best levels. The composite index ended 6.05 up at 890.68 as foreign and local demand pushed the banking sub-index 3 per cent ahead.

Commercial Bank rose Won400 to Won8,700, Korea Exchange Bank Won300 to Won10,400 and Hyundai Securities Won500 to Won15,300.

KUALA LUMPUR was lifted by selective demand for blue chips and speculative buying of second liners and the composite index gained 6.70 at 1,079.68, after an intra-day peak for the year of 1,082.02.

SYDNEY was in retreat, with industrial stocks in particular dragging the broader market lower. The All Ordinaries index shed 21.5 to 2,271.7. Trading volume reached 319.8m shares worth A$682.3m.

Dealers said some investors appeared to be sidelined ahead of the federal election, while others were watching to see whether gold bullion prices moved higher this week. The gold shares index eased 3.7 to 2,268.0.

Advance Bank made 19 cents at A$12.04, off an intra-day A$12.28 high, as rumours that Westpac might launch a takeover bid for Advance resurfaced. Westpac was 11 cents cheaper at A$6.25.

DHAKA retreated as many investors feared that the country's political crisis could worsen. The all-share index slipped 3.5 to 770.0.

MANILA closed lower after late buying failed to erase declines seen in early trade on worries about a rise in the inflation rate over the first quarter of the year.

The composite index shed 8.02 at 2,919.24, off a day's low of 2,898.90. Volume was 2.4bn shares worth 2.2bn pesos.

BOMBAY added to last week's 12.3 per cent rise, the BSE 30-share index advancing 60.49 to 3,233.32 in volatile trade.

Turnover in Reliance Industries touched an all-time high of 43.6m shares on the National Stock Exchange as speculators covered short positions before the last day of the current account today. Reliance ended Rs13.90 higher at Rs218.60 on the NSE.

JAKARTA was slightly firmer in spite of profit-taking in blue chips, particularly sectors dependent on consumer spending.

The composite index rose 3.57 or 0.6 per cent to 591.14 after touching a low of 587.53. Dealers remarked that investors were switching their portfolios to second line stocks.

## Gold loses shine in S Africa

Equities fell back as the golds sector lost some of its shine owing to weakness in the price of bullion. The overall index shed 46.8 to 6,946.7, while industrials lost 63.0 at 8,542.5 and golds 24.5 at 1,878.7.

De Beers retreated R2 to R126, Vaal Reefs R17 to R402 and Amgold R5.50 to R409. Iscor, manufacturer of steel products, eased 4 cents to R3.15 and South African Breweries fell 74 cents to R137.50.

## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS | FRIDAY FEBRUARY 2 1996 | | | | | | | | THURSDAY FEBRUARY 1 1996 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (81) | 199.13 | 1.3 | 194.37 | 134.28 | 153.96 | 175.45 | 0.3 | 3.82 | 196.56 | 192.60 | 133.09 | 152.60 | 174.85 | 199.13 | 157.95 | 163.75 |
| Austria (26) | 187.32 | 0.6 | 182.85 | 126.32 | 144.83 | 144.65 | 0.2 | 1.49 | 186.19 | 182.44 | 126.07 | 144.55 | 144.37 | 199.26 | 167.48 | 172.30 |
| Belgium (34) | 215.35 | –0.2 | 210.21 | 145.22 | 166.50 | 162.35 | –0.6 | 3.22 | 215.81 | 211.46 | 146.12 | 167.54 | 163.34 | 215.81 | 166.86 | 168.62 |
| Brazil (28) | 170.25 | 2.6 | 166.19 | 114.81 | 131.63 | 306.55 | 2.6 | 1.44 | 165.89 | 162.55 | 112.32 | 128.79 | 298.70 | 170.25 | 86.06 | 146.90 |
| Canada (101) | 157.18 | 0.4 | 153.42 | 105.99 | 121.52 | 156.38 | 0.3 | 2.40 | 156.57 | 153.41 | 106.01 | 121.55 | 155.87 | 157.18 | 124.68 | 124.68 |
| Denmark (33) | 299.20 | 0.1 | 292.06 | 201.76 | 231.33 | 234.05 | –0.3 | 1.40 | 298.95 | 292.92 | 202.41 | 232.09 | 234.79 | 302.74 | 252.41 | 257.90 |
| Finland (24) | 185.52 | 2.0 | 181.10 | 125.11 | 143.44 | 177.54 | 2.0 | 1.79 | 181.61 | 178.15 | 123.10 | 141.15 | 174.13 | 276.11 | 171.13 | 185.40 |
| France (99) | 186.36 | 0.1 | 181.93 | 125.68 | 144.10 | 149.36 | –0.1 | 3.04 | 186.11 | 182.36 | 126.01 | 144.49 | 149.55 | 191.17 | 160.40 | 160.40 |
| Germany (60) | 170.45 | 0.1 | 166.38 | 114.94 | 131.79 | 131.79 | –0.3 | 1.82 | 170.28 | 166.84 | 115.29 | 132.19 | 132.19 | 171.28 | 140.78 | 140.78 |
| Hong Kong (59) | 447.68 | 1.2 | 436.99 | 301.88 | 346.13 | 444.40 | 1.2 | 3.19 | 442.50 | 433.57 | 299.61 | 343.53 | 439.23 | 447.68 | 293.20 | 293.20 |
| Ireland (16) | 258.12 | 0.1 | 251.96 | 174.06 | 199.57 | 231.97 | 0.0 | 3.31 | 257.84 | 252.64 | 174.58 | 200.17 | 232.04 | 262.70 | 205.44 | 209.89 |
| Italy (58) | 79.62 | 0.5 | 77.72 | 53.69 | 61.56 | 93.94 | 0.5 | 1.59 | 79.23 | 77.63 | 53.64 | 61.51 | 93.45 | 82.71 | 65.45 | 80.67 |
| Japan (482) | 152.71 | –0.2 | 149.06 | 102.98 | 118.07 | 102.98 | –0.6 | 0.74 | 153.02 | 149.94 | 103.61 | 118.80 | 103.61 | 164.82 | 136.95 | 146.40 |
| Malaysia (107) | 520.84 | 2.1 | 508.41 | 351.22 | 402.70 | 512.01 | 1.9 | 1.63 | 510.19 | 499.90 | 345.44 | 396.08 | 502.43 | 561.96 | 418.47 | 418.47 |
| Mexico (18) | 1211.63 | 0.5 | 1182.71 | 817.05 | 936.80 | 9809.67 | 0.4 | 1.42 | 1205.58 | 1181.28 | 816.28 | 935.95 | 9767.29 | 1237.14 | 647.81 | 1061.78 |
| Netherland (19) | 274.73 | 0.7 | 268.17 | 185.26 | 212.42 | 208.83 | 0.3 | 3.13 | 272.97 | 267.46 | 184.82 | 211.92 | 208.26 | 280.49 | 218.81 | 218.81 |
| New Zealand (14) | 80.31 | –0.4 | 78.39 | 54.16 | 62.09 | 63.02 | –0.6 | 4.61 | 80.61 | 78.98 | 54.58 | 62.58 | 63.38 | 85.49 | 72.27 | 73.77 |
| Norway (33) | 230.41 | 1.2 | 224.91 | 155.38 | 178.15 | 203.00 | 0.8 | 2.06 | 227.60 | 223.02 | 154.11 | 176.70 | 201.32 | 243.79 | 202.76 | 215.09 |
| Singapore (44) | 458.61 | 1.6 | 447.66 | 309.25 | 354.58 | 299.68 | 1.5 | 1.34 | 451.20 | 442.10 | 305.50 | 350.29 | 295.19 | 458.61 | 342.37 | 348.06 |
| South Africa (45) | 437.78 | 1.9 | 427.31 | 295.20 | 338.46 | 349.31 | 1.9 | 3.37 | 429.46 | 420.80 | 290.78 | 333.41 | 342.73 | 437.78 | 297.82 | 297.82 |
| Spain (37) | 165.40 | –0.1 | 161.45 | 111.53 | 127.88 | 156.84 | –0.5 | 3.87 | 165.59 | 162.26 | 112.12 | 128.56 | 157.68 | 168.91 | 124.10 | 131.42 |
| Sweden (47) | 310.60 | 1.2 | 303.18 | 209.45 | 240.15 | 319.64 | 1.1 | 1.88 | 306.80 | 300.61 | 207.73 | 238.18 | 316.27 | 324.31 | 232.23 | 239.83 |
| Switzerland (39) | 222.56 | –0.4 | 217.24 | 150.08 | 172.07 | 168.18 | –0.3 | 1.56 | 223.52 | 219.01 | 151.34 | 173.53 | 168.73 | 239.55 | 163.68 | 163.68 |
| Thailand (46) | 192.03 | 0.6 | 187.44 | 129.49 | 148.47 | 188.82 | 0.8 | 1.98 | 190.86 | 187.01 | 129.23 | 148.18 | 187.75 | 192.03 | 130.15 | 139.47 |
| United Kingdom (205) | 231.18 | 1.1 | 225.66 | 155.89 | 178.74 | 225.66 | 0.7 | 4.12 | 228.63 | 224.02 | 154.80 | 177.49 | 224.02 | 232.23 | 192.74 | 194.66 |
| USA (632) | 259.08 | –0.4 | 252.90 | 174.71 | 200.32 | 259.08 | –0.4 | 2.20 | 260.16 | 254.91 | 176.15 | 201.97 | 260.16 | 260.16 | 193.74 | 193.74 |
| Americas (779) | 236.95 | –0.3 | 231.29 | 159.78 | 183.20 | 199.16 | –0.3 | 2.20 | 237.78 | 232.99 | 161.00 | 184.60 | 199.87 | 237.78 | 178.23 | 178.23 |
| Europe (731) | 203.06 | 0.5 | 198.21 | 136.93 | 157.00 | 177.52 | 0.2 | 2.98 | 201.97 | 197.90 | 136.75 | 156.80 | 177.08 | 204.32 | 168.95 | 168.95 |
| Nordic (137) | 276.37 | 1.1 | 269.77 | 186.37 | 213.68 | 244.61 | 0.9 | 1.80 | 273.28 | 267.77 | 185.04 | 212.16 | 242.42 | 295.02 | 222.22 | 230.60 |
| Pacific Basin (833) | 166.28 | 0.1 | 162.31 | 112.13 | 128.56 | 115.10 | –0.3 | 1.16 | 166.12 | 162.77 | 112.48 | 128.97 | 115.43 | 171.87 | 145.95 | 152.91 |
| Euro-Pacific (1564) | 181.50 | 0.3 | 177.16 | 122.39 | 140.33 | 138.80 | 0.0 | 2.01 | 180.95 | 177.30 | 122.52 | 140.48 | 138.85 | 183.39 | 156.37 | 159.60 |
| North America (733) | 252.76 | –0.4 | 246.72 | 170.44 | 195.43 | 252.15 | –0.4 | 2.21 | 253.74 | 248.62 | 171.80 | 196.99 | 253.13 | 253.74 | 189.47 | 189.47 |
| Europe Ex. UK (526) | 183.24 | 0.2 | 178.88 | 123.56 | 141.67 | 150.54 | 0.0 | 2.35 | 182.84 | 179.16 | 123.80 | 141.95 | 150.58 | 184.61 | 151.42 | 151.42 |
| Pacific Ex. Japan (351) | 291.42 | 1.4 | 284.46 | 196.51 | 225.32 | 255.90 | 1.1 | 2.87 | 287.54 | 281.74 | 194.68 | 223.23 | 253.25 | 291.42 | 218.82 | 218.82 |
| World Ex. US (1756) | 183.53 | 0.4 | 179.14 | 123.76 | 141.90 | 143.29 | 0.0 | 2.04 | 182.87 | 179.19 | 123.82 | 141.97 | 143.23 | 184.71 | 156.72 | 160.00 |
| World Ex. UK (2183) | 204.24 | –0.1 | 199.36 | 137.73 | 157.91 | 171.78 | –0.2 | 1.91 | 204.39 | 200.27 | 138.39 | 158.68 | 172.19 | 204.39 | 166.82 | 167.65 |
| World Ex. Japan (1906) | 236.63 | 0.1 | 230.98 | 159.57 | 182.96 | 223.59 | 0.0 | 2.53 | 236.38 | 231.62 | 160.05 | 183.52 | 223.63 | 236.63 | 184.33 | 184.33 |
| The World Index (2388) | 206.64 | 0.0 | 201.71 | 139.34 | 159.77 | 178.63 | –0.1 | 2.11 | 206.57 | 202.41 | 139.87 | 160.37 | 176.90 | 206.64 | 169.20 | 170.03 |


CONSTITUENT CHANGE 5/2/96: Name change: SCEcorp to Edison International (USA). Latest prices were unavailable for this edition.